

## New Aspects of Old Problems

Spring Meeting of the Executive Council of the Association Produced a Fund of Information Useful to the Bankers. Long list of Subjects Entertainingly Presented. Work and Progress of the Association Told by Heads of Officers Commissions and Committees

**T**HE Spring Meeting of the Executive Council of the American Bankers Association held at the Westchester-Biltmore Country Club, Rye, New York, was a wellspring of information valuable to banking and to business.

The variety of subjects covered was large, the range of information was wide. The discussions extended from great world problems which in their major and minor aspects have long challenged the attention of all business men and statesmen, down through banking, business and legislative problems to our own big problem of agriculture and finally to actual demonstration of farm and farm home methods.

### A High Point

In the forefront of interest was an address made by Julius H. Barnes, President of the U. S. Chamber of Commerce, who while primarily speaking about conditions in Europe and what is being done and what can be done by us for the restoration of business over there, incidentally made a most impressive and commanding presentation of the business affairs in our own country. Of ranking importance also was the viewpoint of Frederick C.

Goodenough, Chairman of Barclay's Bank of London, who presented a view of the overseas financial problem and suggested ways by which its solution might with propriety, and with apparently a good chance of success, be approached. German reparation bonds he said might be made marketable if secured by German assets, and bearing also the indorsement of the recipient nation.

"Slowly," said President Puelicher, in his address opening the Spring Session, "the world is beginning to realize that the salvation of Europe can be attained only by the united effort of business men and statesmen with the advice of well-trained bankers and financiers. It seems that in our own case also the proverb that a prophet is not without honor save in his own country holds true. While here the position of the banker has been questioned and attacked, not only by radicals but sometimes even by business men in general, a banker we are proud to say, has just been elected president of the International Chamber of Commerce, at its recent meeting in Rome. This elevation of Mr. Booth to the highest post of international commerce and finance is an indication that the

world would like the co-operation of the American bankers."

George W. Dowrie, head of the School of Business of the University of Minnesota, declared that the United States should help Europe and that such help would be our own economic and political salvation; G. L. Noble, speaking in behalf of the Boys' and Girls' Club work, told the bankers that the money which Uncle Sam invests in this work is his best investment in education since it has returned within a year after being made 23 per cent. in addition to what it will mean in increased national wealth in time to come.

Recognizing the great value of agriculture to all business and recognizing also the bankers' opportunity to help the country through extending sympathetic attention and intelligent aid to the farmers, there was held an agricultural symposium in connection with the meeting which proved to be one of the most valuable as well as one of the most interesting of the Spring Sessions.

### The First Session—Wednesday

A large amount of routine business was transacted at the meetings of the various committees and commissions as well as during the ses-

sions of the Executive Council itself including reports covering activities which have from time to time been reported in these columns. The President's address at the opening of the first session will be found elsewhere in this issue as well as all the more important addresses or matters touched upon in the course of the week.

"The American Bankers Association is not in New York," said Mr. Shepherd, Executive Manager, in his report to the Council. "It is scattered throughout the United States and our possessions, with a membership of over 21,000 banks, an organization which to my mind has the greatest potentialities of any association on earth. The headquarters in New York are simply your workshop, designed to crystallize into action your wishes. It is a mill, as it were, grinding out every day in the year a service, first to the membership, next to the entire banking fraternity and next to the nation. Only as we approach that ideal do we fulfil our function."

Thomas B. Paton, made a general report on the work of the General Counsel's office which was appreciatively received by the members of the Council and he was followed by Oliver C. Fuller who detailed the work of the special committee on taxation relative to the legislation amendatory to section 5219 U. S. Revised Statutes, which work was covered in an article in the April issue of the JOURNAL. A rising vote of this was extended to the Committee for its splendid results.

Reports of divisions and sections were then taken up and reference to them is made elsewhere in this issue.

#### Second session—Thursday

A committee of twenty-five appointed a year ago to consider the advisability of removing the Association headquarters from New York to Washington, D. C., recommended in a report by Chairman H. J. Haas that the headquarters be continued in New York City. The comparative advantages of New York and of Washington were discussed and upon motion of Thomas B. McAdams the report of the Committee was adopted. Mr. Mc-

Adams said that he had not changed his personal views as to the desirability of moving the headquarters to Washington but he believed that such advantages as would come from a removal of the headquarters would be largely offset by such dissatisfaction as might arise.

#### Membership

T. J. Hartman, Chairman of the Committee on membership reported as follows:

"In making a comparison of the membership I will state that on March 31, 1922, there were 1,343 delinquents, or 5.7 per cent. of the total number of members (23,632) which we had on August 31, 1921. On March 31, 1923, there were 700 delinquents, or 3.1 per cent of the total number of members (22,778) which we had on August 31, the close of our last fiscal year. For this fiscal year the total number of delinquents has decreased 642, or 2.61 per cent.

"On March 31, 1923, our total membership was 22,079; on April 20, 1923, it had increased to 22,188. On August 31, 1922, the total membership was 22,778, leaving the membership at this time 590 short of what it was at the end of the McAdams administration."

There was a discussion relative to the Banker-Farmer, the organ of the agricultural commission and its place of publication. Chairman Burton M. Smith of the Agricultural Commission told the Executive Council that it was advisable to continue it as a medium of such information to bankers and that it should be published in Madison, Wis., which on account of the College of Agriculture was a source of agricultural information and activity. Mr. Smith made it plain that it was the intention of the Agricultural Commission to serve both the farmer and the banker.

#### Third Session—Friday

The committee on Canadian Relations reported that it had reached a basis of mutual respect, confidence and good will with a similar committee of the Canadian Bankers Association.

F. F. Johnson of Boise, Idaho, presented the report of the Insurance Committee and recommended

that General Counsel Paton be appointed an advisory member of the committee.

"The Committee," the report read, "has pointed out in a number of instances where a policy covered a loss with the result that the bank made claim for same which was paid by the insurance companies in cases where the bank had not appreciated that it had coverage.

"In the last annual report of the Committee, reference was made to a case then pending in which the Committee believed the insurance companies liable. The attorneys for the insurance companies contended that they were not liable while admitting an acetylene torch was used on the vault and safe, but contending that the safe was not locked. One of the burglars was later arrested, convicted and sentenced, and upon his conviction one of the insurance companies immediately paid its share of the loss. The bank, however, was forced to bring suit against the other company with the result that a jury of the Supreme Court of the State of New York rendered a verdict in favor of the bank. The insurance company moved to have the verdict set aside which motion was denied and an appeal is now pending.

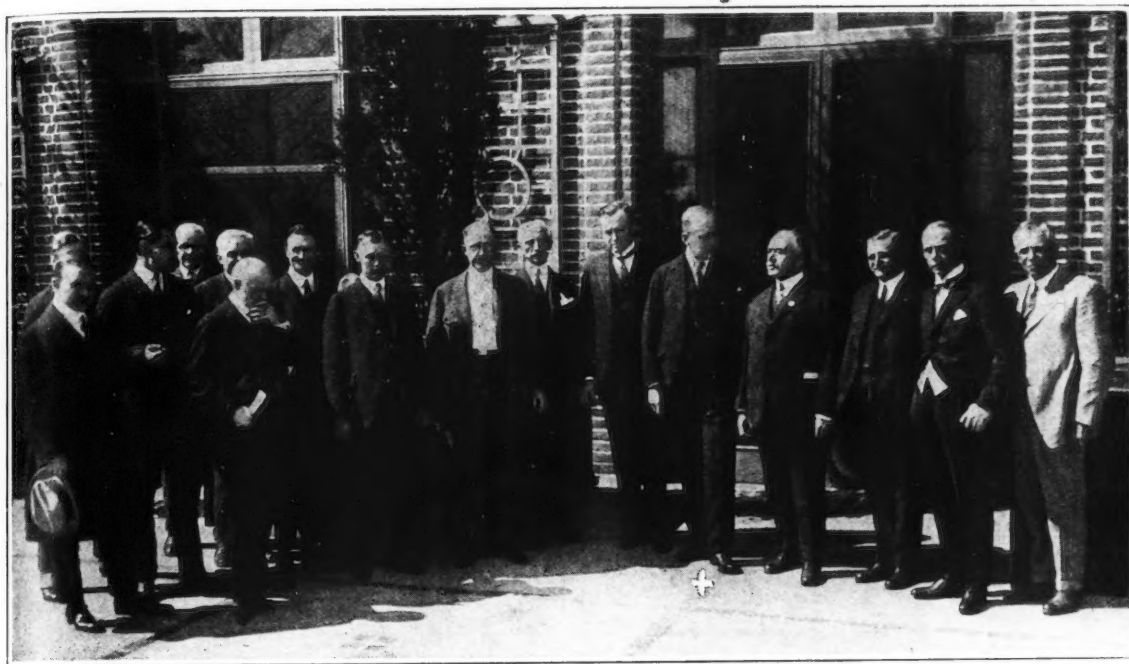
Judge Paton read the report of Elmer A. Onthank, Chairman of the Committee on State Taxation, which committee proposes to make a study of the tax systems of the different states and to make suggestions and recommendation of remedial legislation for the approval of the Association. The method of fixing the taxable value of bank shares is now under investigation. Judge Paton offered new by-laws as follows:

#### Amendments

"Amend By-Law VII by making the first sentence under the sub-heading 'Committee on Federal Legislation' read as follows:

"The Committee on Federal Legislation shall consist of six members of the Executive Council, only one from the same state; also the Chairmen of the Committees on Federal Legislation of the four Divisions of the Association, as ex-officio members.

"Amend By-Law VII by making the first sentence under the sub-



At the Spring Meeting at Bye, N. Y.

Frederick C. Goodenough, (x) Chairman of Barclay's Bank, London, with President John C. Puelicher (right), Walter W. Head (left) and other officers of the A. B. A.

heading 'Committee on State Legislation' read as follows:

"The Committee on State Legislation shall consist of twelve members of the Executive Council, only one from the same state, also the Chairmen of the Committees on State Legislation of the four Divisions of the Association, as ex-officio members, and shall have in charge the consideration of state statutes affecting the powers, privileges and duties of the members of the Association." These were adopted.

Increasing the Public Relations Commission from seven to nine members. Adopted.

Creating a new by-law which will provide that the committee on Public Education shall consist of seven members, three from the American Bankers Association appointed by the President, who shall be members of the American Institute of Banking, and three members of the American Institute of Banking section appointed by the President of the Institute and one member of the State Secretaries section to be appointed jointly by the Presidents of the American Bankers Association and the American Institute of Banking. This also was approved.

This arrangement shall take effect at the time of the next annual Convention of the American Bankers Association held next after the time when the Executive Council of the American Institute of Banking takes action upon it.

#### Term of Office

The following was adopted:

Resolved, that in pursuance of Section 6 of Article VII of the Constitution, members of the Executive Council to be elected in 1923 in the following states shall be elected for terms specified below:

Illinois: One member to be elected for a term of one year and three members for a term of three years.

Iowa: One member to be elected for a term of one year and two members for a term of three years.

Minnesota: One member to be elected for a term of one year and one member for a term of three years.

Mississippi: One member to be elected for a term of two years and one member for a term of three years.

South Dakota: One member to be elected for a term of one year,

one member for a term of two years and one member for a term of three years.

Further Resolved that the Executive Manager shall certify the aforesaid direction to the Secretaries of the State Bankers Associations of the above states respectively, in accordance with by-Law XI.

#### Non-Cash Items

Upon motion of Waldo Newcomer the President appointed a committee of five to report to the Administrative Committee upon a subject of the collection of non-cash items of the Federal Reserve banks; this committee consists of Robert F. Maddox, James Ringold, Craig B. Hazlewood, H. C. McLucas, and J. W. Barton.

A resolution adopted by the Executive Committee of the State Bank Division relative to the shipment of gold and silver through the mails was referred to the Administrative Committee.

A family dinner held on Thursday evening was full of life and pep and the speech made by Prof. W. Duncan Spaeth of Princeton University was one of the enjoyable contributions of the week.



# Country Bank Gives Farm Service

C. B. SHERMAN

(Market Technologist, U. S. Department of Agriculture)

**T**HE increased prosperity of each farmer-customer is an asset to the local bank.

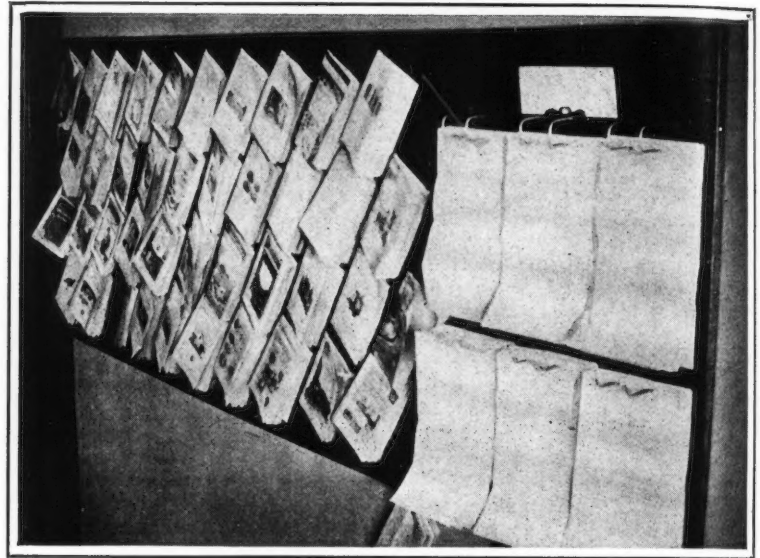
To increase rural prosperity each farmer must improve his methods of production, improve the quality of his product and market it to better advantage. Improvement in one of these items avails little if improvement in the other two does not take place.

Improved production includes planting with an eye to demand, decreasing the cost of production, and use of modern cultural methods. Improved quality of product includes careful selection of seed or variety, wise harvesting methods, conscientious grading and careful packing in suitable containers, bales or dressing. Advantageous marketing means selling at just the proper time through desirable agencies for a fair price. Until recently, marketing has been the most neglected step in the business of agriculture.

A bank in South Dakota with a restricted staff and without funds to spend on extensive research or educational work, is yet undertaking to help its farmer-clients in all of these ways. It is using Uncle Sam's great research and educational staff as its own and is bringing their results straight to the bank's depositors.

In the lobby of the Security State Bank at Willow Lake, South Dakota, a bulletin board, 40 inches by 9 feet has been placed. It carries 40 pegs and 6 hooks. On the pegs are hung bulletins from the U. S. Department of Agriculture relating to each of these vital phases of agriculture—production, preparation for sale, and marketing. Such bulletins are chosen and exhibited as apply to local conditions; and on the hooks are hung the daily Federal market reports from the Chicago and St. Paul live stock markets and the vegetable and dairy market reports received from Minneapolis, and the weekly marketgram from Washington.

These reports give the essential items of market news on the commodities, including visible supplies,



Bank Bulletin Board in Lobby of a Security State Bank, Willow Lake, S. D.

movement, conditions and prices on the important markets. Reports for the recent period are left on the hook for purposes of comparison, with the last report always on top.

The bulletin board directs the reader to the cashier for copies of any bulletin desired. At the cashier's desk a supply of prepared postcards is kept ready for requests. These postcards are filled out and mailed to Washington, the bank paying the postage. The bulletins are sent from Washington direct to the farmers. Thus the bank does not have to give space to large quantities of the bulletins.

The Willow Lakes newspaper gives cordial support to the project and has called the attention of its readers to it. "Should prove a big help to farmers of this vicinity" is its verdict. C. T. Erstad, the Vice-President of the bank, wrote a personal letter regarding the service to many of the farmer-clients and the employees of the bank lose no opportunity to call it to the attention of the farmers who come to the bank.

Requests from clients soon show

the special needs of the community. Thus this bank soon learned that its customers were especially interested in sheep barns, hog houses and chicken houses. They needed more help with these than with crops. They were especially in need of information regarding good and inexpensive methods of ventilating these buildings, and the bank wrote to the department for special instructions and blue prints. W. A. Wheeler, a one-time resident of South Dakota, and now a specialist in the Department of Agriculture, has taken keen interest in helping the Security Bank in getting this service in smooth working order. The Department is always glad to take part in any practicable way in making the results of the studies of the widest possible use.

"I am very enthusiastic over the interest shown by our farmers and believe that we are going to get good results from it," writes Mr. Erstad. He is not unmindful of the fact that it entails some extra work for the bank and that interest in it and demand for its services may still need cultivation.



# Objectives of the Association

By John H. Puelicher  
President American Bankers Association

**Address to the Executive Council Advocates Co-operation in World Affairs, Development of a More Comprehensive Agricultural Program, Education of the Rising Generation and the Generous Giving of Time Toward the Solution of Economic Problems.**

**A**N administration in order to function properly and bring progress to our profession must have some definite program on which primarily to fix its attention and that of the members of the Association. There have been before this present administration, in addition to the many regular activities, three outstanding considerations.

One of these is co-operation in world-affairs. It would take me too far afield to dwell here upon the chaotic conditions in Europe, but slowly the world is beginning to realize that the salvation of Europe can be attained only by the united effort of business men and statesmen with the advice of well-trained bankers and financiers.

## The Banker Abroad

It seems that in our own case also the proverb that a prophet is not without honor save in his own country holds true. While here the position of the banker has been questioned and attacked, not only by radicals but sometimes even by business men in general, a banker we are proud to say, has just been elected president of the International Chamber of Commerce, at its recent meeting in Rome. This elevation of Mr. Booth to the highest post of international commerce and finance is an indication that the world would like the co-operation of the American bankers. We wish Mr. Willis H. Booth every possible success in his arduous post, and I am sure that I am not over-stepping the bounds of my authority when I pledge to him the aid of the American Bankers Association in laboring for the reconstruction of Europe and the world. The willingness to co-operate reasonably, so that the people of Europe will make an effort toward a stabilization of their af-

fairs, both political and economical, was indicated in the resolutions adopted at our convention in New York, and is a task, the proper performance of which will not merely save Europe but also be of the greatest aid to our own country.

## Second Objective

A second objective of this administration is the development of a more comprehensive agricultural program. It seems to me we are coming into an era of intense agricultural interest. Bankers are called upon to acquaint themselves with ways and means of co-operating with the farmer in his desire for better business methods and better farming methods. I believe that we can do nothing better than to encourage the education of farm girls and boys so that farming may become an attractive future vocation for them. The Agricultural Commission has greatly extended its work this year, and if the prospects become realities, the next administration of this Association will focus its attention upon agricultural problems and agricultural education to the extent which the present administration has focused attention upon economic problems and economic education.

## Primary Objective

Economic education is the primary objective of this administration. A recent work, *Public Opinion in Peace and War*, by the President of Harvard University, calls attention to the fact that to a certain extent progress and action on the part of large groups can only be attained by causing a unanimity of opinion which will translate itself into action either as a result of an emotional urge or as a result of a reasoned conviction.

I am sure, therefore, that you will pardon me if I return to that topic which appeals most strongly to my emotions as well as to my reason as the proper present work for this Association and among its most important. If I were not so strongly convinced of the necessity of the educational program which I have preached to you in and out of season, I should not try again and again to obtain your unanimous support in carrying on the work which of necessity I shall be compelled more or less to drop with the close of my administration.

## Responsibilities of Membership

Let me briefly review then what this program is: In the first place, I have become more and more convinced that the first requirement of this Association is to sell itself to its own members and those of our profession who are not members. Individual banks join the American Bankers Association and its officers take part in its activities because it is the proper thing to do; sometimes the meetings furnish them with an excuse for a kind of vacation and sometimes because in this manner they can here and there exercise a certain amount of power. In other words, the privileges of membership furnish the chief reason for joining, while I desire to place the chief emphasis to-day upon the responsibilities of membership. Unless we can convince our members that the future of our profession depends to a large extent upon the activities of this Association, we shall make but little progress. We need the services of the ablest and the best of our profession, and we must convince them that in giving freely of their time and energy to the Association they are furthering in every way the interests of their own institutions, of their profes-

sion, and of their country. The next requirement is to sell the American banker, the usefulness of his work and his desire to serve, to the American people. "Wherefore by their fruits ye shall know them."

### Educational Work

It is from such motives that I have singled out from many things to which the Association might devote itself, the educational work which I have sought to develop during the last few years. You know the slogan: "The banker nearest every school house to aid in the economic education of the children of America." By this I have meant that the future of our country is necessarily dependent upon the children who are at present in school. It is there that we must seek to check radical and vicious movements if we wish to preserve the institutions of our country. The banker is peculiarly fitted to do this work, for this kind of education is primarily economic and the banker more than anyone else is the economist in business. If we can make the school-children understand the functions of a bank, the services which it performs, the danger to all classes of the population if banks are hampered in their natural development, then and then only, we need not fear the preachings of radical agitators.

### If Bankers Knew

We may be compelled in the course of this work first of all to educate some of the bankers themselves, for we know that some of our associates are themselves contaminated by doctrines contrary to sound banking and economics. If every banker knew thoroughly the facts regarding sound and unsound currency, there would be little prospect in this country of making headway with some of the unsound schemes promulgated at times. For after all, the banker, especially in the country, is the one most often consulted by the voters regarding those questions in which economics plays a part, and it is to his inability to perform the duties of a leader that some of the troubles and difficulties with which we are faced are due. In this con-

nection there cannot be told too often the great work which the American Institute of Banking has performed in educating and training tens of thousands of our young people employed in the banks of our country. If everyone connected with a bank could have the advantages of a full course in one of the chapters of the American Institute of Banking, none of us would have to worry about this problem of leadership along economic lines.

### Lack of Leadership

It is also as a result of this lack of economic leadership that we have to meet the many attacks made against the Federal Reserve System. To us it is a mere truism that without the Federal Reserve System we could not have fought the war as we did and that in the years during the war and immediately following, the Federal Reserve System proved its value and established itself for all time. We think so, but not all of our fellow citizens agree with us. There are many who have already forgotten about the war and others perhaps who never were interested, and thus every economic difficulty from which the country suffers is laid upon our present banking system. The farmer who has speculated wildly and therefore is in financial difficulties, the business house undeserving of credit whose bank does not care to furnish it with more capital, and others similarly situated, all of them believe, or pretend to believe, that had it not been for the Federal Reserve System their fool's paradise, which lasted for some time after the war, would have continued forever. I regret to say that some of this feeling is due to bankers themselves. They have exaggerated some of the minor faults of the system until they made the whole appear vicious, and they have objected to the system because they objected to certain individual officials of the system. Worse than that, bankers at times unwilling to render customers certain services, or unable to do certain favors, have found it easier to ascribe their inability to do as requested to some feature of the

Federal Reserve System rather than to assume responsibility for their action.

### Educate the Young

I need not tell a gathering such as this the history of the First and Second Banks of the United States. These also performed an important service in their day, and our country would have been spared many a financial crisis if they had been allowed to continue to function. But here also politicians and bankers themselves found it advantageous and profitable for one reason or another to attack the institution which gave all the banks of the country protection. And so they were swept away. If we are not ever watchful, the third bank of the United States will meet the same fate as its two predecessors.

The way to prevent such a calamity is to aid in the economic education of the rising generations, and this I believe to be our primary duty. This I consider one of the chief functions which this Association ought to perform, and there should be no one in our profession who does not consider it an honor and a duty to give freely of his time and energy to carry on and aid in the preservation of the bulwarks of our economic order.

The three outstanding undertakings, then, that should presently and seriously occupy the mind of the American banker are, reasonable co-operation in the stabilization of the affairs of Europe, intelligent co-operation with the farmer toward the solution of his problems and a most generous giving of his time and energy in the solution of the problems of our economic existence.

### [ Gain in World Trade

That the United States is steadily gaining in its share of world international trade is evidenced by a comparison of the 1922 figures with those of a long term of earlier years. A comparison of United States trade with that of the world as a whole shows for a long term of years that our share of world trade grew from 9.8% in 1910 to 10½% in 1913, 14% in 1916, 17½% in 1920, and 16½% in 1922.—O. P. Austin.

# Anglo-American Co-operation

By FREDERICK C. GOODENOUGH

Chairman of Barclays Bank, England

**Agreement Relative to the Funding of the British Debt a Turning Point in the Negotiations for a General Financial Settlement. German Reparation Bonds May Be Made Marketable by the Indorsement of the Recipient Nation. Effect of Debt Payments**

LET me say in the first place, that this agreement is regarded in my country with great satisfaction, because it removes all doubt as to the desire of each country to act in a fair and friendly spirit towards the other.

People in England are glad also that there can be no longer any question in the minds of Americans as to the desire and intention of Great Britain to pay her debts. I do not know that there was ever any doubt upon this point with Americans who know the British people.

On the other hand we realize that America has shown a generous disposition to meet the convenience of Great Britain in the time for making her payments, and in other important matters of detail. She has also agreed to an adjustment of the rate of interest on the debt to a level which is in keeping with the current rate of to-day. I have always held that America would be prepared to meet us favorably on these points when the moment should arrive for coming to a settlement.

## A Turning Point

I think that this agreement will have a far-reaching effect. I think that it may be regarded as the turning point in the discussions and negotiations relating to the general financial settlement after the war. I believe that it will lead to agreements in regard to other Inter-Allied Debts, and also to a final settlement of the reparation problem. Further than this, I believe also that it will bring about closer co-operation between Great Britain and America in the solution of the different problems in which they are both deeply concerned. I think that this must be so because of the

similarity of their interests in the complex problem of international payments which will follow reparation and debt agreements.

## Guarantees

The reparation question, which concerns the whole world, seems at the moment to have been overshadowed by the question of "Guarantees." I believe, however, that this is only a passing phase and I am reasonably confident that before long, negotiations as to the amount to be paid, and the way in which payment is to be distributed, coupled with the question of what steps are to be taken to safeguard France in the future, will be reopened.

At the meeting of Mr. Bonar Law and M. Poincaré in 1922, two of the principal points of difference between the British and French view seemed to be the length of time for the moratorium, and the value, if any, of the "C" Bonds.

I do not believe that there is any insuperable difficulty in either of these points. Whatever may be the amount which has eventually to be paid by Germany, or the plan by which Germany may decide to restore her currency and balance her Budget, credit will be required if any substantial payments in cash are to be made. If Great Britain and America are prepared to co-operate, as a purely commercial proposition, in finding at all events a portion of the initial sums that may be required, in such case a satisfactory arrangement as to the length of the moratorium should be a comparatively easy matter.

I do not myself regard the amount that is likely to be required as being anything very large, and I feel quite sure that, given stabili-

zation by Germany, adequate security could be offered.

The other point in that of the "C" Bonds for 82,000,000,000 of Gold Marks which are in the nature of a third mortgage, ranking after the 50,000,000,000 Gold Marks which is the amount of the "A" and "B" Bonds. I do not suppose that anyone will contend that these bonds can have much, if any, present or prospective value, and it seems to me that it is open to Germany to put forward a simple and comprehensive scheme containing an offer for payment of an amount, based on some modification of the original scheme, and that common sense would insure an agreement being reached, because such an agreement would be so much in the interests of all parties, including Great Britain and indirectly also America.

## The Ruhr

I do not propose to say more than I have done upon the vitally important questions of security or of the gradual withdrawal of France from the Ruhr, nor as to the measures which should be taken to ensure a Franco-German peace for a period so long as one can foresee. They would be measures from which both France and Germany as well as the whole world would benefit. My belief is that a solution will be achieved. I assume that an agreement will be reached in the matter of reparations, and I think that Great Britain and America, as the two great creditor countries of the world, can, by acting in co-operation upon commercial lines, carry the matter a long way towards a successful conclusion. I am of course aware that any proposition of this kind must be a sound business proposition, but it seems to me that the



reconstruction of Europe and the general trade and prosperity of the world must depend upon finance, and if the people of Great Britain and America, as the creditor nations, are prepared to find it, they will at the same time serve their own individual and common interests.

The question then arises, are Great Britain and America, as a purely commercial proposition, likely to provide the necessary credit? I think that under certain circumstances, substantial sums would be provided by Great Britain. But will America do the same? She will decide what shall be her own policy, but I can unhesitatingly say that my personal opinion is that the commercial and investment interests of the United States will lead her to approach this problem from much the same point of view as Great Britain.

Let me endeavor to show the similarity of economic interest which I believe exists between Great Britain and America, and also why the debt settlement which has taken place and the further settlements, which we hope will follow, will lead to that close, though perhaps unconscious, financial co-operation between America and Great Britain to which I have just referred and from which I anticipate much good to the world at large.

This involves a consideration of the influences brought to bear upon a creditor nation, also of the problem of how debt and interest payments can be made by debtor nations and in what form Great Britain and America are prepared to accept them. I need hardly say that payments between nations can only be made in the following ways, that

is to say, in goods, in services, in gold, or in securities. So far, therefore, as America is not prepared to accept payment in goods, or services, or gold, she will of necessity follow the experience of Great Britain and other creditor nations and accept payment in securities.

On the one hand America may continue to re-invest in whole or in part such payments as are made to her by foreign debtors, increasing her foreign investments and maintaining such a volume of trade as would afford her a surplus of

greater or less degree, adopt a policy of foreign investment, it would take her many years to collect the foreign debts now due to her and to convert them from external into internal assets. In the meantime, she will be interested in conserving her foreign assets, though possibly not so strongly, and it will still be in her interests to promote prosperity in those countries which are indebted to her and which are, as a matter of fact, at the same time indebted to Great Britain.

It is understood that in the case of re-investment Great Britain has in the past used what was due to her by one country for investment in another, as wisdom and prudence may have dictated, and America would of course do the same.

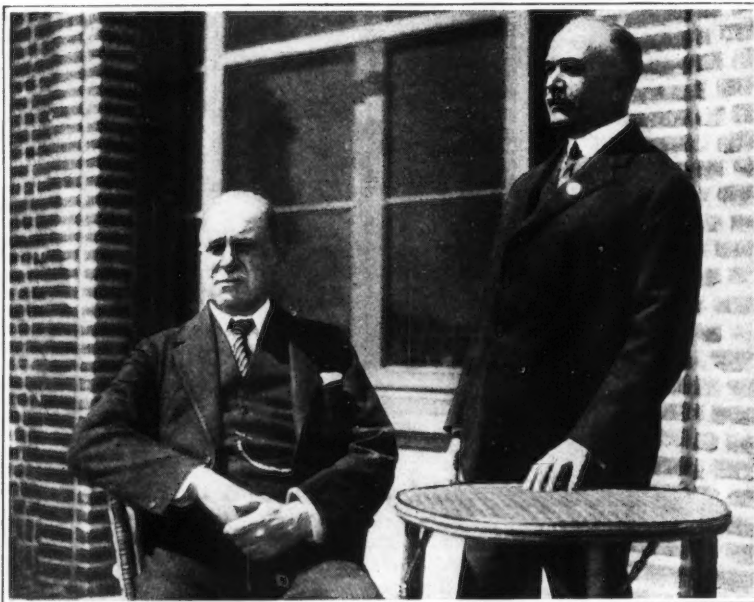
The question of investment in German securities must, however, be considered from the standpoint of the ordinary investor.

I think German Reparation Bonds could be made attractive if the principle of the indorsed bond were ac-

sure that to the investing public in Great Britain and America, in fact throughout the world, a bond given by Germany, specifically secured by German assets and bearing also the indorsement of the recipient nation which had received it on account of Reparations, would prove a marketable security, when once a reasonably satisfactory settlement is in sight.

#### As to a Default

It is important to remember that Germany could not afford to default on a widely held bond issue, whatever she might do in regard to debts held directly by the Governments of her late enemies. There



Frederick C. Goodenough (left) and John H. Puelicher (right)

visible exports. On the other hand she may avoid foreign investments, and as far as possible, accept payment in goods, or services, or gold, and in that case the position would be altered and there would be a surplus of visible imports. I think that America will, partly from choice and partly from force of circumstances, adopt a permanent policy of foreign investment just as Great Britain has done in the past. In that event, there will be a great community of interests between the two countries. Both will have world wide trading and world wide investment interests and both will be deeply interested in furthering world-peace and world-prosperity. But if America should not, to a

is also the fact that Great Britain and America as great creditor and overseas trading nations would secure a substantial indirect benefit through taking part in these financial operations, inasmuch as they, by removing the present deadlock, would stimulate trade, promote peace and prosperity and thus conserve and consolidate their overseas assets. Moreover, some portion of the amount realised should be returned to them in part payment of inter-Allied debts, and would thus enable them to reduce their own Government internal debt.

There would, however, still be the problem of providing the credit needed by Germany in order to enable her to tide over the interval, whilst she is stabilizing her currency and taking measures to balance her budget. It seems probable that a definite arrangement as to reparations would bring into operation forces which would result in the foreign balances owned by German nationals becoming available, and I think that very little, if any, external aid would be required for this purpose. There would also be the gold in the Reichsbank.

#### Austria

I should like to refer here to the case of Austria, as an example of co-operative effort. We consider the bonds to be issued by that country will form a very reasonable security, yielding a good rate of interest. The placing of these bonds should enable Austria to recover from the desperate condition into which she fell, and again to become the financial centre of that part of the world. Should this result, great benefit would accrue to those interested in foreign trade.

It has been suggested to me that I should express an opinion as to how the industrial organization of Great Britain will be affected by the repayment of our debt to America, as to when Great Britain will again achieve a free gold market, and as to the extent to which her debt obligations to America may retard this operation.

#### Taxation

No one would suggest that the debt payment will not be a heavy burden upon us. Our taxation problem is already serious, since, in our determination to follow a sound financial policy we have strained our taxable capacity to the very utmost—perhaps we have gone too far and intrenched to some extent upon productive capital. It follows that an obligation involving taxation equivalent to an income tax of 8d. in the £ cannot be regarded lightly. The effect must be reflected in the standard of living, which cannot be so high as would otherwise have been possible. The full extent of the burden, however, cannot be estimated, until it is possible to measure more accurately the influence of factors which at present are uncertain. For instance, although we are making payments under the arrangements entered into, we have yet to receive payments from our debtors, and the burden of the amount we pay will obviously be lessened by any amounts received. Then again, there is the question of prices. If prices fall, the volume of commodities necessary to discharge our obligations will be increased, while if, as seems possible, the great aggregation of gold in the United States, amongst other influences, results in an increase in prices, then the burden will be lessened.

The actual method of payment of this great sum of \$4,600 million plus interest cannot as yet be foreseen. The effect of the Fordney Tariff will probably be to discourage the shipment of such of our manufactured goods as may be likely to compete in your home markets. It is probable, therefore, that these goods, instead of being shipped to the United States, will be shipped to British Colonies and other countries and will in effect be used to pay for shipments of goods which the United States will take from them. This may mean that, to a considerable extent, the import into the United States, for example, of rubber, will be paid for, not in American goods, but in British goods and that, to that extent, American export trade may

suffer. This, however, may not necessarily be the consequence, for if the capacity to consume of the importing countries increases, America may continue to ship her manufactures and to lend the proceeds to the countries concerned. Briefly, the effect of this operation may be for America to increase her investments in countries to which Great Britain has, in the past, been in the habit of lending.

#### Great Britain's Position

Until the details of the readjustment in foreign trade entailed by the British payments to America are more clearly discernible, it is difficult to indicate their effect upon the re-establishment of a free gold market in London.

America has, since the war, attained the position of a great creditor nation. Great Britain remains also, on balance, a creditor nation, notwithstanding her debt to America, and she retains her old position as a financial centre because of her knowledge and experience, particularly as regards foreign investments and foreign trade, whilst her financial and industrial position under her present economic system are dependent upon her relative cheapness.

I might briefly refer, also, to a question of great interest, viz.: the ability of America's banking system to check upward price movements. Under ordinary conditions the Federal Reserve system is very elastic, and with the disappearance of automatic checks such as that supplied by London when its free gold market was operative and with the gold reserves of America so far above legal necessity, there would seem to be a very real danger of inflation and of rising prices with consequent reaction. Ignoring this danger, to which American bankers are fully alive, the effect of rising prices in America would seem to be to bring the pound more quickly to parity and even to place London once more in a position to draw gold from the United States.

Before the war, London with her free gold market could, according to her old plan, either contract or expand her supplies of credit

upon a gold basis, so as to meet her needs and requirements from time to time, as they might arise. The question is, will her old ability to control credit and price levels remain unaltered, when the pound returns to pre-war parity and when London can again attract gold. Will London, with the pound at parity, be able once more to establish a free gold market?

The question is a difficult one, for, under post-war conditions our currency is no longer based pound for pound on gold. It follows that, until some definite, but steadily improving minimum ratio is established between gold and currency, there is no certainty that a withdrawal of gold for export would, by restricting the currency in circulation, bring that contraction in credit and fall in prices

which formerly served to check the outflow. It seems, therefore, that Great Britain, before establishing a free gold market, would have to adopt a ratio system, and even then would require to have experience as to whether the cross currents of international trade were being adjusted so as to enable the liability incurred towards America for payment of debt and the payments which will have to be made for food supplies and raw materials, to be met without an undue drain from America on gold reserves. In the matter of gold reserves, co-operation between America and Great Britain would undoubtedly benefit both countries.

However we approach these various problems both financial and industrial, it seems to me to be clear that the interests of America

and Great Britain in foreign markets must be closely allied.

Commerce during the last two years has adjusted itself to some extent to changed world-conditions, and every interchange of commodities increases the possibilities of further trade. Gradually the natural effect of the insistent pressure of all peoples to satisfy their minimum requirements will restore once more a wider and more normal demand. But we must act and not wait for the slow outcome of natural remedies.

Britain and America are already allied in sympathy. Our instincts and our interests are the same as yours, while to a great extent, like you, we are unhampered by merely political entanglements. We can, by action together, do much good for the world.

### Convention Calendar

Date	Association	Date	Association	Date	Association
May 10-12	Georgia ... Savannah	May 31-June 1-2	Washington ...	June 19-21	South Carolina .....
May 15-16	Tennessee .....		Victoria, B. C.		Greenville
	Chattanooga	June 6-8	Minnesota .....	June 21-22	Ohio .....
May 15-17	Texas .....		Minneapolis		followed by Lake Trip
May 16	Rhode Island .....	June 8-9	Nevada.. Winnemucca	June 21-23	Dist. of Columbia...
	East Providence	June 11-13	Iowa .....		Hot Springs, Va.
May 16-17	Maryland .....	June 11-13	New York .....	June 26-27	Illinois .... Rockford
	Atlantic City, N. J.	June 12-13	Idaho... Idaho Falls	June 27-29	North Dakota .....
May 17-19	Alabama .....	June 12-15	Association of Na-		Bismarck
	Montgomery		tional Credit Men..	July 17-20	Amer. Inst. of Bank-
May 22-23	Missouri... St. Joseph		Atlanta, Ga.		ing Ohio .....
May 23-25	Pennsylvania .....	June 15-16	Colorado .....		Cleveland,
	Atlantic City, N. J.		Colorado Springs	Aug. 9-11	Montana .....
May 23-26	California .....	June 15-16	Utah .....		Great Falls
	Long Beach	June 15-18	New England Bank-	Sept. 5-6	Kentucky .....
May 24-25	Kansas .....		ers Association.....		Louisville
	Hutchinson		New London, Conn.	Sept. 11-12	Indiana.. Indianapolis
May 24-26	Virginia .....	June 18-22	Michigan .....	Sept. 24-27	A. B. A., .....
	Richmond		Detroit and Lake Trip		Atlantic City
May 28-29	Reserve City Bankers	June 19-20	Wisconsin .....	Oct. 26-27	Arizona .... Tucson
	French Lick, Ind.		Milwaukee	Oct. 28-31	Investment Bankers
May 29-30	Oklahoma .....	June 19-20	South Dakota .....		Washington, D. C.
	Oklahoma City		Rapid City		



# As American Business Men See It

By JULIUS H. BARNES

President of the Chamber of Commerce of the United States

**Delegates to the Rome Congress Had a Tour for Study Before the Meeting. Graphic Pictures of Peculiar National Problems. Position of American Delegation on the Main Issues. Many Countries Labor under an Erroneous Theory Regarding Production**

**T**HE semi-official delegation of the United States Chamber of Commerce to Rome, of which group of forty or fifty men I was a member, had a five-weeks' preliminary trip of investigation through the Mediterranean and the states of that region. We had extraordinary facilities for seeing the inside of the industrial and commercial conditions in these countries. I want you to follow me, just briefly, as a background for certain conclusions that we reached on certain countries.

## Egypt

Egypt—a small, narrow strip of fertile country along a great river; 4,000 years of age, no immigration—and in 4,000 years the people have only reached a maximum of 15,000,000 population. Why? The official figures of death rate in the city of Cairo show that 75 out of every 100 children die before they reach a year old. The level of living is absolutely the minimum. Their thirty-cent cotton has made the country prosperous, yet the general level of living remains the same, whether cotton is ten cents or thirty,—no floor coverings, or beds or chairs or household furnishings. They are still feeding themselves by fishing from the pot with their fingers—the absolute minimum of human existence! They are 98 per cent. illiterate and yet we, who have written the splendid history of self-governed democracy, are pointed to as the justification for the immediate establishment in Egypt of universal suffrage and government by popular election. No man can face that without the greatest apprehension as to what will happen when British control is withdrawn from Egypt, as it probably will be in the near future.

## Turkey

In Turkey we found the usual difference of opinion on the administrative capacity and the sincere intentions of the Turk party. We found American representatives inclined to believe in the ability and capacity of the new Turk party. We found Constantinople under their regime vastly different, more sanitary, and free from the plague of dogs for which it was so famous. And when we look at Turkey and remember it

fifteen years back when electricity was nationally prohibited and find today electric lights, cars, etc., we realize the great change that is taking place.

## Greece

Greece—Twenty per cent. of the land is arable land; defeated in war, driven back to rocky shores and bankruptcy by revolution, Greece indeed has a hard future to face.

Italy—Hopeful, industrious, the most promising spot, I think, on the Mediterranean. In the ancient city of Palermo a new harbor is being built. They have asphalt boulevards, its streets look like those in Minneapolis or Los Angeles. These things inspire confidence in those who looked forward and prepared for it in this way. All of Italy is moving. Because of the handicap by the lack of natural resources, it has got to equalize itself with the scales of the world competition against lack of natural resources which other more fortunate countries possess. Throughout Italy we found indisputable evidence of a new spirit, of a new determination and a new hope. This is largely due to the interest in a single personality. From taxi-driver and newsboy to merchants and bankers, there is a universal trust in their man. We have had several interviews with Mussolini. My first impression was that his present conviction is the result of study and experience, that this man was not liable to be swayed by agitation or change of views, and that he is determined on a course that is sound and safe.

Parcel post has been lifted out of government service. Negotiations for taking the telephones out of private hands are under way and if you ever saw a telephone system that was useless it is the state 'phone system of Italy. Mussolini is approaching the major problem of putting the railroads back into private hands. He is cutting off unnecessary personnel and he can do so with the support of the entire people. His body of Fascisti which were 150,000 strong he has determined to cut down to 70,000. As you watch them march on the street in their uniforms you see an example of the finest type of Italian young men. It is a situation where constitutional government is readapted, in the support of a man by this extra-legal body of trained men. Mussolini is without

a question a great man. What his history will be remains to be written. To-day he is one real living force, not only in Italy but all of Europe, and the conversion of that man with his strength and his following to the principles of the so-called capitalistic system that we believe in, is the most extraordinary encouragement to us who want to see sound economics put in play.

Following is an extract from Mussolini's address of welcome to the United States Chamber of Commerce delegates to Rome:

"It is my conviction that the State must renounce its economic functions especially those of monopolistic character for which it cannot provide. It is my conviction that a Government which wants quickly to uplift its own people from the after war crisis, must give free play to private enterprise and forego any measure of State control or State paternalism, which may perhaps satisfy the demagoguery of the Left, but, as shown by experience, will in the long run turn out to be absolutely fatal both to the interests and the economic development of a country.

"I do not believe that that complex of forces which in industry, agriculture, commerce, banking and transport, may be called with the glorious name of capitalism, is about to end, as for a length of time it was thought it would by several thinkers of the social extremism. One of the greatest historical experiences which has unfolded itself under our own eyes has clearly demonstrated that all systems of associated economy which avoid free initiative and individual impulse, fail more or less pitifully in a short lapse of time."

If Italy continues on its present course, if it is able to make effective the economies which are proposed and which have been put into effect, Italy in two years will have a balanced budget. Bankers told me that they confidently expected the Italian lire would be back to par in ten years. That is an extraordinary change and progress to look forward to.

## Austria

Austria.—Here is the best example in the world of the futility of a Communistic and Socialist Parliamentary method. No administration remains in power except by concession to various groups of opinions and these opinions defeat any possible continuity of government operation. The League of Nations undertook to rebuild Austria and laid down certain conditions. One was that the Austrian Parliament should vote a constitutional amendment which deprived itself of power, finance and industry for two years. This was done. Immediately upon coming into

administrative authority paper currency was discontinued. Austrian currency then stabilized itself. As soon as the people found on Monday morning that the wage roll was of the same value as on Saturday night there developed in Austria a disclosure of the earning margin. Bank deposits in Austria have increased 600 per cent. in four months. There is not a store, house or apartment vacant in all of Vienna. The vast executive, administrative and banking direction which used to center in Vienna has been restored by trade agreements and Vienna is finding that the traditions of executive experience in industries and banking is rebuilding its trade opportunity.

We have got to change our ideas of Austria. We remember the aspect of 300,000 children fed by American charity—American Relief Commission has less than 10,000 children on its hands now, Austria is energetically completing trade agreements. One with Italy has already been turned out and signed. There is under negotiation a trade agreement with France, one also completed with Czecho-Slovakia. It needed only a mediator having confidence in both sides from this country—it needed only a mediator such as the United States could have given to build up Austria again. It is being rebuilt to-day.

Czecho-Slovakia has stabilized its currency and has a sound national budget. There is the advantage of world-competition in production-cost, which in some countries is affected by currency policies clearly unsound and dishonest, where employment for a time is based on the traditional credit that attaches to a monetary domination—the day is coming when this credulity can no longer be capitalized in wage-earners and commodities, and that day is almost here in Europe. When that day comes the deflation or inflation of currency in one country will no longer affect production costs, because real value will have to be put into every token of exchange of commodity and labor. Czecho-Slovakia will be one of the first states in Europe to establish itself on a sustaining and profitable basis.

## Poland

Poland is recovering steadily. The railroad service is good. Its industries function. It has agreeably disappointed its friends in showing a capacity for self-government which is surprising.

There is a deliberate calculation in these countries in issuing paper tokens that one-third will be bought for specu-

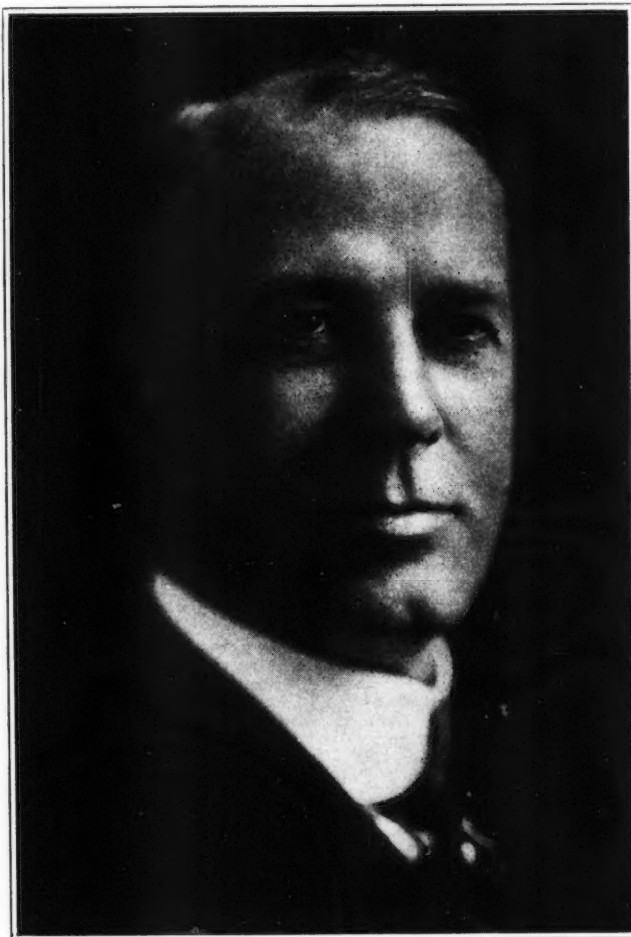
ing disclosure brought about by these continued depressions. They expect there will be bought for speculation by America and other countries one and one-half billion marks. A fact seldom spoken of is, that there has been bought an estimated quantity of eight billion French francs, which sum has been laid away in the same manner. If you add to this sum the Polish marks and the Austrian crowns that have been bought by foreign countries it discloses an enormous amount of money used for speculation.

## France

France is busy. The French farmer is adapting the tractor and modern farming appliances. Whatever government finance and political troubles there may be, you may rest assured that French industries are producing more than their share. There is an annual increase in saving-power and they are absorbing the French government bonds steadily at home.

Great Britain is as always the safe, sane, and inspiring leader in returning to normalcy and sound finance. If you will observe what Great Britain is doing, you will feel a revival of confidence in world recovery. The cargo trade is beginning to look better. Shrewd vessel owners are calmly waiting until overseas commerce obtains impetus and then you will find cargo rates brought up. They will rebuild their fortunes in very short time. But that depends on the recovery of world-trade. There are evidences that this recovery is under way. When it comes, Great Britain will resume again its natural leadership in financial domination of the world in spite of all we can do. Great Britain as you know has

a sane, financial policy. It has been able to reduce taxes and maintain a balance budget. It has in eighteen months advanced its gold pound from \$3.50—where stabilization was recommended by a Swedish economist—and has advanced from that to almost two per cent. of the gold parity. The two chapters of honor of American banking rest in these two things, that in America we singly upheld the gold parity objective of the world when other countries were unable to do it. We held it there without deliberate inflation. We have been



Julius H. Barnes  
President Chamber of Commerce of the United States

lation; one-third will be lost or hoarded at home and that the remaining third of these extraordinary figures of circulating currency would really be the volume in actual use. The loss from wear is calculated to be as high as ten per cent. In fact there is some enthusiasm in countries like Austria, that with the cessation of printing of currency this process of loss and wear will go on for five years and that automatically this will deflate the currency.

There is, however, one very inter-

joined in sustaining the gold parity by Switzerland, Holland, Sweden, Great Britain and Canada. Gradually this list will widen and there will come a time when the flow of gold metal will automatically remove the hazards of overseas-trade, and when it comes you will not have to worry quite so much about the policies of our Federal Reserve System because you have restored the check on business.

### Russia

Russia. Russia is beginning to live under the impetus of restoration of some fields of private impulse and private stimulus. There are beginning to appear on Russian railroads German locomotives, even dining-cars and sleeping-cars. Russia demonstrated that it had a small agricultural surplus this year, estimated at 12,000,000 bushels. It shows progress in the right direction.

Petrograd is a changed city. The shops are full of goods. Vacant houses and apartments are beginning to fill. What will happen in Russia is, of course, a sealed book, but if this tendency continues, the re-instatement of private enterprises, Russia, like all the other countries in Europe, will disclose the fact that people can produce more than they consume and they thereby acquire an investment and saving power. Whatever form of government Russia may finally adopt, it will live along with the other countries of Europe. If we hasten the day when Russia respects life and property, and thus restores the recognition of Russia, we will hasten the day of Russia's recovery and restore a large part of our trade. We cannot move in advance; we cannot build governmental relations on a foundation of national bad faith.

### Confidence in America

When they tell you Europe has lost its confidence in American people and American institutions they are wrong. There is the same confidence and trust in American motives and American ability as before. There is a reason for this. Not only did American food during the period of chaos, immediately following the armistice maintain social order in Europe but it cemented our friendship. There have been American technical advisers who have been in service for three years advising them on railroads, mines and coal, and this explains why these people have stabilized their economic progress under these conditions. And they recognize it and are grateful for it.

We went to Rome with this background and with the conviction that there could be established a comprehensive settlement. Investments should be secured so that the enlarged earning power of these people would

discharge the amounts of the reparations which today seem impossible or discouraging. We came to the conviction that temporary settlements were worse than useless.

### Proposed Plan

The plan proposed contains certain principles which are simple. Emphasis was laid on the fact that no settlement which did not include all these factors would be effective.

On reparations, they declared that the full ability of Germany to pay should be used. That the schedule of the amount of payments must carry security that they will be carried out; that since this was the effect of a past aggression, we must have a reasonable guaranty that it will not recur; that in the settlement of debts consideration should be given to the ability of a debtor to pay, and in calculating that ability due consideration to the effect on the debtor's capacity to pay by putting into effect sound national budgets, particularly as to military expenditure.

As to international loans it was declared that government loans were undesirable. For instance, these questions which disturb trade and commerce to-day would be settled if they were purely between business men, but because they must be submitted to Parliamentary and Congressional bodies it is more difficult to arrive at a complete and lasting schedule.

### Budgets

As to budgets, we repeated the old truism that income and outgo must bear a reasonable relation, but we added the reservation that in securing income the processes of taxation must not be used to such an extent as to stifle industry; the accent always being that the prime requisite is to restore the opportunities of industry to earn its way through these burdens; that efforts by governments to stabilize exchange have been futile; that the establishment of sound budgets and elimination of waste would in themselves tend to return to the gold parity of exchange.

The delegates of the twenty countries represented have gone home pledged to further the adoption of these principles in every way they can. Some day, and probably in the near future, I am confident that a move will be made in which this statement of the business men of the world, if essential in the necessities of the settlement, will come into play, and the earning processes of industry and investment made secure.

At Rome, we took one other issue with what we had observed in Europe—the production theory—the philosophy of production. We found in Europe generally, and usually accepted by those men who direct industry, the fallacy that only so much work can be done, and that by restricting the output, service can be spread among

more wage-earners, and therefore produce more wages.

That runs contrary to the experience of America. If America has made any substantial contribution to the economic history of the world, it is in its demonstration that enlarged production does, by its economy and the earning power which it creates, expand production, and with that goes a great enlargement of the average of common human possession, and a great advancement in the standard of common living.

### Production Fallacy

We found in Europe under this fallacy—a great opposition to the utilization of mechanical devices, particularly in the port cities. For instance, passengers and cargoes are still being lightered to and from ships. The American delegation pointed out that if earning power is to be accelerated mechanical aids must be called in to displace manual labor. Manual labor so displaced, does not mean unemployment, but an opening of new avenues of industry.

Let me show what I mean: Take agriculture in our country. The census of 1920 showed, as compared with 1900, that there were 1,700,000 fewer workers engaged in agriculture, but the aggregate crop has increased by 20, 30 and 40 per cent. This means economy of production, without question.

A scientific estimate of the days of manual labor necessary to produce the average wheat crop of America is 7,000,000 days, but if it were produced under the methods of agriculture maintained before the invention of the harvester, and those devices which followed it, it would take 130,000,000 days of manual labor. Now has that labor displaced unemployment? It has not.

### Our Own Development

In twenty years there have developed four new industries—automobile, motion picture, the electrical and the chemical industries. At least 30,000,000 people today get their livelihood from four industries almost unheard of twenty or thirty years ago. How could we have manned these except by the release of this manual labor and by the substitution of mechanical aids, through the service of science and invention?

Moreover, the factory output in America, which in 1920 was 95 per cent. larger than it was in 1900, indicates by analysis that eliminating from this constantly growing factor, production, those things of current consumption, such as food and clothing, it is a reasonable calculation that the average home in 1920 possessed three times the articles of common use and convenience that the home of 1900 did.



How recently have come into use such things as plumbing, bathrooms, telephone, phonographs and automobiles, in the expansion of human existence. These are the creation of the American theory of enlarged production.

### Challenged the Fallacy

So at Rome we challenged the social fallacy that there is only so much work to be done, and substituted for it a declaration that by every mechanical aid, by the attainment of efficiency of the worker, we stimulate individual production in the interest of enlarged standard of living, and that this is the only way we can maintain advancement. This was unanimously adopted and will be referred to in a score of ways in the settlement of industrial disputes throughout Europe.

Do you realize that by the service of science and invention, and these mechanical aids, the average earning power per capita in the world is constantly increasing, and that America, with its adaptability to invention, is showing the way?

In 1850 the per capita annual earnings was \$100, in 1890 it was \$200 and in 1920 it was \$600. Our total national wealth is \$300,000,000,000, while our nearest rival, England, with 2,000 years of history, a very old nation compared to us, has \$105,000,000,000.

We have done this thing in America—we have shown them a new way to bring human comforts, human prosperity, and human contentment,—and it is our job that these principles shall be argued with conviction and logic—and put into play throughout the world.

### Savings Power

This is the explanation as to why there has been the extraordinary advance in savings power in this country. In the ten years from 1913 to 1922, the total deposits in the national banks of this country increased from six billion to sixteen billion—160 per cent. in ten years; and that savings accounts have increased from four and three-quarters billions in 1913 to seven and a quarter billions in 1922, an increase of 50 per cent. in ten years.

And yet we are trying to measure industry to-day by referring to the pre-war normal, 1913, and setting up the marks of 1913 as the present normal measure, when this fast process of increased earnings and savings and accelerated earning power per individual is going on! You have to recast your datum points, not with recklessness, with all caution; but you have to recast them in view of this extraordinary development of earning power by the service of science and invention through the processes of industry brought to perfection in America, as nowhere else in the world.

### Regarding Caution

You hear on every side words of caution about the present business activity in America. I do not mean to throw caution to the winds, but when you consider that the production total today in America has passed the peak of 1920, but that the price index is 35 per cent. lower than 1920, perhaps we are only in the normal and regular demonstration of the development of a vast earning and buying power in America, which rests on very secure foundations.

For instance, the following things happened in March: We made a record on the cotton consumption, on the pig-iron production, and, in steel ingot production; locomotive shipments were the largest ever made, unfilled locomotive shipments were the largest ever recorded; zinc production was the largest ever recorded, and bituminous coal was the largest, with two exceptions: anthracite was the largest with one exception; retail sales were the largest, mail-order-house sales were the largest, and the car-loadings were the highest ever known this time of year; the sales of life insurance were the largest ever recorded, automobile and truck production was 346,000—far the largest ever recorded, and residential construction was the largest ever recorded.

### Future of Business

These are recorded through a large number of industries. They either show a hectic and feverish activity in which you have a right to feel caution, or they show the constantly accelerating curve of human use which is a sound foundation for industry.

If you keep in mind the picture I drew of these new areas which are beginning to aspire to a standard of living and common possession never dreamed of heretofore, the potential markets of millions of consumers who have no knowledge of the thousands of articles which are common in America, you will see what I mean when I say that some day—and perhaps this is the beginning—the factory production will run at full speed for years and years to keep up with it.

Now the story sketched of national wealth and growth and resources would fall short of its really human translation if you did not keep in mind this fact: that the volume of production, the increase in production of the things in common use, which in 1920 doubled that of 1900, indicates a more widely distributed possession of earning and buying power than the world has ever seen, because manifestly such a volume of factory production could not be marketed if possession were in the hands of the wealthy few.

So you have this demonstration—not only the extraordinary building of wealth, but the demonstration of the peculiar American genius for large

sale production, which has created the widest, and most just distribution of wealth and common ownership the world has ever known.

### Precious Things

These things are precious things to preserve. The conditions under which they have been created have a significance wider than American prosperity, that of vast human service throughout the world; and it is our job, men, to appreciate these truths, these economic laws, which operate, thus, to preserve the conditions under which they have developed.

This is the significance of the position of such an organization as yours, and that of the National Chamber of Commerce and even the International Chamber of Commerce. If we discharge the responsibility and trust which American leadership imposes on us, we will build, by the ethics of our own trust, a record which entitles us to public confidence, and we will have the logic which carries conviction in the other fields of the world.

The other countries are anxious to retrace their steps and restore public utilities and facilities to public ownership, and they are convinced that is the only way they can be made to develop. At home we have to defend that field of private ownership and private operation, developing the American theory of wise and general regulation in the public interests rather than that of public ownership or operation.

### Wants Co-operation

This is the duty of responsibility which falls on organizations such as the American Bankers Association, and the Chamber of Commerce, and it is because of this that the National Chamber of Commerce feels that it is going to try and discharge these duties of leadership; it wants to help such associations as the American Bankers Association, it wants your co-operation and it wants more than that—it really wants your co-operative membership as one of the blocks in the foundation on which it must speak with conviction and authority these truths which American business realizes as no other section of our country.

Harris Creech has been elected president of the Cleveland Trust Company, Cleveland, O., to fill the vacancy caused by the death of F. H. Goff. Mr. Creech began his banking career 31 years ago as a messenger in the Garfield Savings Bank of Cleveland and he had for six years been president of the Garfield Savings Bank when it was merged with the Cleveland Trust Company last year. Since the merger Mr. Creech has been vice-president of the Cleveland Trust Co., and has served as a member of its Executive Committee.

# The Heaviest Tax on Agriculture

Apathy and Indifference to New Methods and to the Offerings of Science. Agricultural Symposium, Participated in by Bankers and Agriculturists, a Long Step Toward a Better Understanding of the Separate Responsibilities and Limitations of Both

**E**MPHASIS was placed upon agriculture during the Spring Meeting of the Executive Council. In his report to the Council, Burton M. Smith, Chairman of the Agricultural Commission outlined the present purposes and plan of the Commission which will be carried out by its director Dr. Otis assisted by H. L. Russell, Dean College of Agriculture, University of Wisconsin; W. M. Jardine, Kansas Agricultural College; W. R. Dodson, College of Agriculture, Baton Rouge, La.

*The Banker-Farmer* now published at Madison, Wis., under the immediate direction of Dr. Otis will be improved and enlarged in usefulness. An afternoon was devoted to an agricultural symposium at which Chairman Smith presided and during which four very interesting addresses were made. "American agriculture must of necessity become more intensive," said President Puelicher in the course of his remarks. "We have reached our frontier; there is no going beyond—the Pacific Ocean has called the halt. It therefore means that farming methods, farm finance, everything that goes toward farming must be on a different basis than when to farm you simply skimmed surface crops off the soil of a productive country."

Dean H. L. Russell

Dean H. L. Russell of the Wisconsin College of Agriculture, delivered an address which made a profound impression upon all who were fortunate enough to hear it from which the following is taken:

"The farmer has no business to ask the banker for special favors. Neither is he disposed to do so. All he has a right to ask or even expect is a square deal.

"The banker has not forgotten the dark days of 1921. In the recovery which is now so auspiciously under way, let us not lose sight of the lessons then so dearly learned. Let us see that the farmer's continued need for credit is supplied only for sound productive purposes, not speculative or recreational wants.

"The United States Department of Agriculture estimates for 1922 and 1923 that two and one-half times the normal number joined the exodus from the farms. This ebb and flow will of course continue until the increased needs for consumption overtake production and the tide turns."

Dean Russell particularly pointed out that co-operative marketing now engaging such widespread attention, needed careful guidance and that the banker was particularly fitted to assist. The Dean

also declared that the production figures were absolutely necessary and that the banker should urge upon his farmer client the value and importance of business records as an aid in better farm management. He continued:

"We hear nowadays about over-production, that if acreage was actually curtailed so as to cut quantity-production, it would solve the main difficulty which now confronts the American farm, viz., relatively low prices. While this may be temporarily true because of unusual crop conditions for the past three years, and the partial damming up of the European outlet, yet the fundamental fact must always be kept uppermost in mind that the hope of individual profit on the farm will in larger measure rest on *lowered* costs of production rather than quantity output.

## Production Cost

The cost of producing milk in 1920-21 on nearly 250 farms in one of our best Wisconsin counties ranged from \$1.36 to \$7.88 per 100 pounds milk. The average cost price was approximately \$3.00. Over one-half of these farmers had a cost price between \$2.50 and \$3.00 per hundred. By what stretch of the imagination is it possible to conceive that the ten farmers whose costs averaged over \$5.80 per 100 pounds could ever break even? It is worth noting in this connection that the average annual production per cow of this high cost group was 4,100 pounds, while the group having a cost of from \$2.50 to \$3.00 had an average production of 5,960 pounds.

"It is this fundamental fact that makes it impossible ever to hope that any price fixing method can succeed in overcoming the operation of the economic law of demand and supply. If resorted to as a war measure to stimulate production, it aids rapidly in its own undoing by creating an artificial stimulus that hastens its own downfall.

"We object to high taxes, but the heaviest tax from which the farming industry suffers is the tax laid on us by apathy and indifference, a failure to recognize that costs of production are vastly increased through the let-it-go policy. Science and education are continually pointing the way and showing how it is possible for any man to lift himself above the dead level of mediocrity to a higher plane of economic sufficiency. But these improved methods filter slowly, oh! so slowly, through the community body. They are, however, the methods that have made the American farmer the most efficient farmer in the world when considered from the standpoint of production per individual or income per farm."

Walter W. Head, President of the Omaha National Bank, Omaha, Nebraska, who is also a farmer, told the audience that the manufacturer of New England is just as vitally interested in the farmers of Missouri, Kansas, Nebraska and Iowa as are the bankers who are engaged in business in those States. The farmer and the banker are natural allies, he said.

The farmer and the ranchman during the last few years have had all the credit needed; in many cases very much more credit than he should have had. Continuing Mr. Head said:

"I remember some of our live stock men. Take sheep, for instance. Why bankers, and sheep loan men, loaned as high as \$15 per head on ewes. I know that within a period of a few months the value of those ewes went down until there was not a cattle-loan man, a sheep-loan man, who was willing to take them off the farmers' hands for \$4 or \$6 a head. Remember, that was not within a period of years—but months!

"I also saw the price of wool go from sixty cents per pound, where everybody was trying to buy it at that price, down to 20 cents per pound, where the farmer could not find anybody who was willing to write out his check for the amount just mentioned—20 cents per pound.

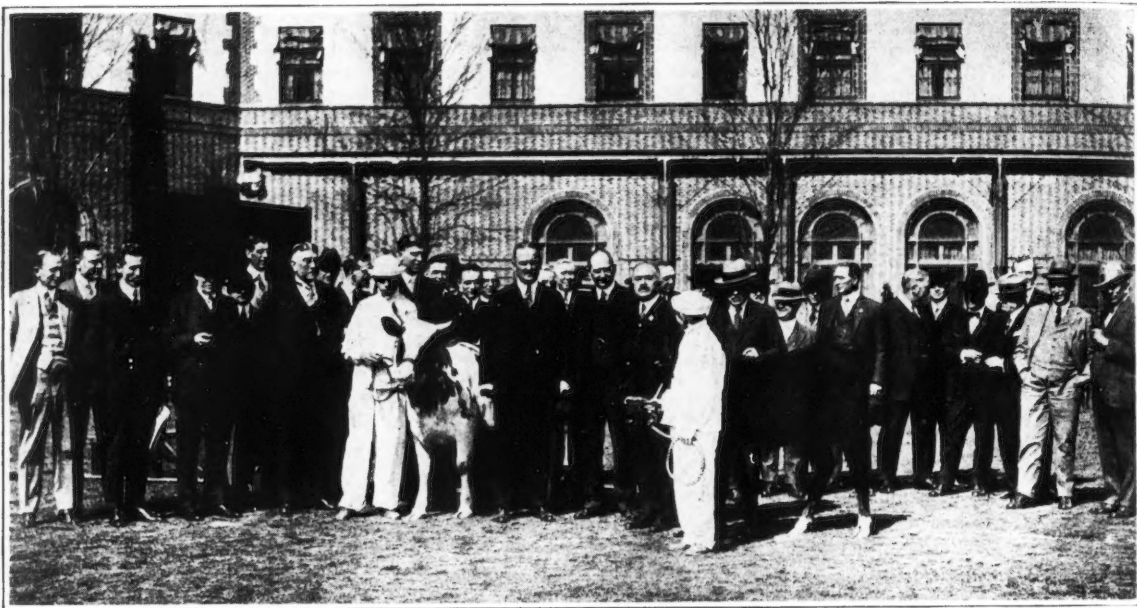
"And so, naturally, a condition of that kind that affects the farmer, cutting off his purchasing power, if you please, destroying his own belief in himself and in the banker and in everybody else, can only bring about one condition and that is a chaotic condition, which to a more or less extent (and more, from my standpoint) affects every single business man and laboring man, regardless of what job he may have, in the United States."

## Gray Silver

Gray Silver, Washington representative of the Farm Bureau Federation, discussed liquidating farm crops and in the course of his address said:

"Price fixing was referred to by one of the previous speakers. There are fully twenty bills in Congress asking for arbitrary governmental price fixing in one form or another. The farmer does not want to be treated as a ward of the government. He does not want an arbitrary price fixed. It would defeat its own end. For if we were successful enough to secure the fixing of a price on wheat, of \$2.00 or \$2.50 or even \$3.00 a bushel, Congress would think it a generous thing for the farmers, and the farmer might temporarily feel he was happy—and the consumer would be unhappy.

"But what would be the effect? He



Inspecting A Livestock Exhibit at the Spring Meeting

could not again get the price changed. It was fixed by governmental agency. Yet, those groups which supplied him with the needed thing he must have in production, controlling their own price fixing, would overnight change that price and he would be at the same disadvantage that he was before.

"Someone remarked that the farmers had gotten too much credit. I want to say that as long as the system is in vogue, where, when harvest time arrives, the farmer is expected to sell his crops and pay his obligations, and unless he gets additional credits, how is he going to warehouse his goods and install orderly marketing? We have to have more

credit and we have to have it in a way that we can use it."

G. L. Noble, National Secretary of the Boys' and Girls' Club movement spoke in behalf of his club work:

"Fifty years ago Bismarck had a burning desire and ambition to conquer the world, accordingly he encouraged every boy to play soldier and the result was the great World War. Thirty years ago the teaching of the evil effects of alcoholism were included in the physiologies used in the schools and the W. C. T. U. became active in obtaining pledges from young people, all of which resulted in the Eighteenth Amendment. Therefore, I repeat, the things that farm boys and

girls are thinking and doing today will determine very largely the destiny of the nation tomorrow."

A demonstration in canning was then given by two girls under the direction of Miss Elsie Trabue, Assistant State Club leader of Connecticut, which created considerable interest among the bankers.

Afterwards the bankers had a demonstration of the difference between livestock methods. Farm Club boys from Pennsylvania showed two heifers, one ordinary scrub stock and the other a blooded animal which the youth in charge had purchased on money borrowed from a bank and was paying off his note.

## State Secretaries' Section

By W. B. HUGHES

THE members of the Secretaries' Section have been very deeply impressed by your President with the importance of the work that he has been doing along lines of economic education. We believe that we are fortunate in being in that position where we can help in this way. We think that the work will depend greatly upon the activity in each state of the Committees on Economic Education and that in turn their activity and the efficiency depend greatly upon the push displayed by the Chairmen in each state and we believe that we can have an important part in developing that energy in those Chairmen which will help the President in the work which we believe, every-

thing considered, to be as vital as any the Association has ever been engaged in.

For the moment our attention is centered to some extent upon the question of insurance premium rates for banking and insurance and bonds for the reason that the members of the various state associations and in the main the members of this Association look to the secretaries if they have anything along that line not to their satisfaction. Our Section hopes to co-operate a little more fully with the Insurance Committee of your Association, especially along this premium rate line in which your Committee has not up to now concerned itself, feeling its duties were along other

lines connected with insurance. We believe, with their assistance, we can get at the facts involved in the recent increases in premium rates which we would not want to say are not justified—they may be. All the Secretaries' Section maintains is that we believe it is our business to possess ourselves of all of the facts and information pertaining to these rates to allow the bankers to decide whether in their opinion the rates should have been raised. We believe we can get this information which has not heretofore been available. We find it very difficult to secure but with the full co-operation of our Section and your Insurance Committee we believe it can be done.



# Declaration of Principles

**T**HE Executive Council of the American Bankers Association at its Spring Meeting held at the Westchester-Biltmore Country Club on April 25 to 27, affirms its adherence to certain principles which it believes necessary for the further progress and continued happiness of the people of this country.

## General Conditions

**T**HE Council is glad to make note of the prevailing prosperity, but it takes this occasion to sound a note of caution by expressing the hope that the business men of the country will exercise sufficient self-restraint to prevent inflation and over-expansion such as took place immediately following the war and which led to disastrous consequences. It urges the bankers of the country not to make credit available where it is to be used for the purpose of speculation whether in commodities or securities.

We view with satisfaction the present sound condition of the banks of the country and the ample service they are rendering. While recognizing the possibilities of inflation latent in our great gold reserve, we are gratified to note that the temptation to take advantage of this situation has been successfully resisted and that the expansion which has so far taken place has been an expansion of production and not of credit. If purchase and production can be kept within the legitimate bounds of sale and consumption, we feel that a continuance of sound and prosperous business conditions can be expected for an indefinite period.

## Federal Taxes

**W**E desire to express our cordial approval of the courage and wisdom shown by the Secretary of the Treasury in his public statements concerning the problems of Federal taxation. That the present excessive surtaxes both limit the amount of tax revenue received by the government and act as a brake upon business progress is the inevitable conclusion of an impartial study of this problem.

In the light of banking experience we feel warranted in urging the consideration of some plan by which the present method of reviewing and revising income tax reports over an indefinite period of years may be replaced by a limited period of review in order that exact knowledge of tax obligations may be established within some reasonable time.

## Paternalism

**T**HE Council views with regret the evident tendency towards centralization of power in business matters in governmental bodies and bureaus. The increasing number of laws interfering with the normal operation of economic law complicates unwarrantedly our proper business procedure and unnecessarily adds to the expense and difficulty of business activities. The constant and futile effort to solve business problems by legislative enactment and to inject government into competitive business enterprises works a serious hardship not only upon the business directly affected but upon the entire body of taxpayers, because of the inevitable loss and waste that attend all such government efforts. At the recent session of Congress laws were enacted calculated to lead to still further encroachment upon private undertakings and mark, we believe, a dangerous trend.

## Agriculture and Labor

**T**HE Council indorses the work of the Agricultural Commission in establishing closer relations between the banker, the farmer of the country, and the agricultural colleges. The Council is convinced that the work so successfully inaugurated this year will result in the maintenance and strengthening of the fundamental institutions of our country.

There is no question in our opinion that our whole agricultural industry has been suffering not from a lack of credit but from a super-abundance of credit which has frequently led to speculation in land and uneconomic expenditure. The misapprehension broadly shared that the fall in the price of farm products was caused by undue restriction of banking credit has been so clearly disproved by government boards themselves that it seems unwise to us to base legislative remedies upon such an untenable position.

The Council believes that the most serious condition confronting the farmers of the country is due to the maladjustment prevailing between the prices which farmers receive for their products and those which they are compelled to pay for the goods which they themselves must purchase. This maladjustment arises in part from the demands of organized labor and from the chaotic condition of the European markets. The Council believes that in this connection our whole immigration policy should be carefully considered with a view of having a sufficient supply of labor available for agriculture and industry. At the same time it ought to be possible to prevent the entry of such who are likely

to prove a menace to the political and physical welfare of this country.

## Foreign Affairs

**T**HE Council affirms the view expressed by the Association at its convention in October of last year and previous meetings that it would be highly desirable for the government of our country to formulate the principles upon which it is willing to join with other nations to establish sound economic conditions in Europe. It views with alarm the continued unrest in Europe and has no sympathy with the view which believes it possible for our prosperity to rest upon a sound basis while a large part of the world remains in turmoil.

## Disabled Soldiers

**T**HE American Bankers Association has repeatedly voiced its interests in the welfare and comfort of our disabled soldiers and is desirous of seeing every reasonable provision made for their relief. Since charges have been made that there have been errors and defects in the administration of funds provided by Congress for the relief of our disabled veterans, the Association offers, through its Executive Council, its aid to the United States Government, to the American Legion and to any other organizations actively engaged in promoting the welfare of our disabled soldiers in the recent war, with a view that the work of the Veterans' Bureau may be so adjusted as to make it function with a maximum degree of efficiency in that service which is at once an obligation and a privilege for the American people to perform.

## Postal Savings

**T**HE Council repeats the views expressed on several occasions relative to the danger of the government campaign for an expansion of the Postal Savings System. The Council regards this as another attempt of the government to enter upon the domain of private business enterprise. It denies that there exists any necessity for provision for the accumulation or conservation of the people's savings further than that already provided for by existing banking institutions. It would therefore deplore any attempt to create new government agencies in the savings field.

It also looks with disfavor upon any attempt by corporations or private business interests to pervert the whole established plan of savings for the purpose of stimulating sales for

commercial gain by creating a debt under the guise of thrift.

### President Puelicher

THE Council expresses its keen appreciation of the splendid work done by its president, John H. Puelicher, in developing still farther the educational work of the American banker and his continued efforts to impress upon our whole people the need for sound economic thinking and upon our membership the necessity for the American banker to play his part in teaching fundamental economic truths to the American public.

In harmony with the views so forcefully expressed by our President, we desire to emphasize the responsibility of the banker as a leader in business thought. His position as a citizen and an important member of the business community fastens upon him the plain duty to do all in his power to encourage and direct accurate thinking upon economic problems as well as correct practice in business matters upon which the whole structure of sound business must be based.

### In Memoriam

THE Council notes with the deepest regret the death of several members of our profession who have been of the greatest help and assistance in developing the work of the American Bankers Association and it wishes hereby to spread upon its record the names of those who have especially served the profession through this Association. The Council extends its heart-felt sympathy to the close colleagues and members of the families of the deceased:

D. M. Armstrong, vice-president Commercial Trust & Savings Bank, Memphis, Tenn.

P. B. Bartley, vice-president Conrad Trust & Savings Bank, Helena, Montana.

F. H. Goff, president Cleveland Trust Co., Cleveland, Ohio.

Edmund D. Hulbert, president Merchants Loan & Trust Co., also president of the Illinois Trust Savings and the Corn Exchange National Bank, Chicago, Ill.

Joshua D. Powers, president Commonwealth Life Insurance Co., Louisville, Ky.

William P. Sharer, President Midland Bank, Cleveland, Ohio.

### Speakers

OUR sincere appreciation is expressed to the various speakers who gave of their time and interest to the edification of all who have attended our sessions. Particularly do we wish to extend our thanks to Mr. Frederick G. Goodenough, Chairman of Barclays Bank, England, and to Mr. Julius H. Barnes, President of the Chamber of Commerce of the United States of America and Dr. J. W. Spaeth of Princeton University.

### Hosts

WE also render our thanks to our hospitable hosts, the Westchester-Biltmore Country Club, who have made the stay at their beautiful club house so pleasant to our friends and ourselves.

F. H. Sisson, Chairman  
R. S. Hecht C. L. Brokaw  
C. H. Deppe E. H. Furrow  
T. R. Preston W. A. Blicke  
Evans Woollen L. I. McInnis  
Walter Lichtenstein, Secretary

## Progress of Economic Education

AMONG the many important activities of the American Bankers Association, practically all of which have a nation-wide influence and some an international influence, there is none that is likely to be exceeded in importance when the lapse of time permits a correct relative valuation, than its educational work. This work is not confined to one department or commission but is carried out jointly through several bodies such as the Public Relations Commission, the American Institute of Banking and the Committee on Public Education. Vice-President E. H. Sensenbaker of Portland, Oregon, of the Committee on Public Education, told the Council in his formal report that 21,843 talks had been given under the auspices of the Committee to audiences aggregating approximately, 2,273,000. Illustrative of the growth of the work there is one outstanding case: last year only about 100 persons were reached by the Committee on Public Education in the whole state of New Jersey while this year through the organization of a speakers' bureau in Passaic County, N. J., talks have been given before audiences aggregating 10,000. In California 1,500 speakers gave talks to 390,000 people. In Wisconsin last year 1,000,000 persons heard the talks.

An education symposium held in connection with the Spring Meeting was presided over by R. S. Hecht of New Orleans, Chairman of the Committee on Education. Alice L. Rose, Chairman of the National Financial Group, Special

Libraries Association of New York, read a paper, "The Service a Financial Library May Render the Modern Banker." George W. Dowrie, Dean of the School of Business, University of Minnesota discussed "Some Lessons from Recent Experience" and concluded with this statement:

"No amount of fancy patent remedies can ever take the place of homely cures such as honesty, economy and efficiency, when any group is suffering from the ill effects of a crisis. We in America are too prone when we have committee excesses to rush into our legislative halls in an effort to avoid the after effects of securing the passage of a lot of half-baked and ill-advised measures. Like Naaman of old, we are indignant when we are bidden to wash in the unappetizing waters of the Jordan and crave some fancier more high-sounding remedy. Insofar as the plight of any group is due to extravagance, speculation and general lack of foresight, the only effective remedy lies in the practice of the virtues which are the opposite of these vices.

Finally, in spite of the fact that most of us here, including myself, voted to place in power an administration pledged to a policy of isolation, the results of the last two or three years have caused us to wonder whether greater participation in world affairs is not only desirable but quite imperative. Because of our great abundance and variety of resources we could undoubtedly set up a fairly workable, independent, political and economic

system in the United States, but such a policy is contrary to the highest well being of our people. Even if in most parts of the country, today what seems to be a full and normal prosperity exists, I cannot see how it can be of long duration in the face of existing conditions in Europe and in those sections of other countries, including the United States, which depend upon Europe to buy their exportable surpluses. I have no desire to see this nation entangled in European quarrels, but, aside from all considerations of altruism, I am convinced that we must participate in the settlement of the Old World's difficulties, if our own economic and political salvation is to be made secure. Through our disinterested leadership, supplemented, when the time is ripe, by financial assistance, it is up to us to help put to rights a condition which if it continues can result in nothing less than the annihilation of European civilization.

Edwin F. Gay, editor of the New York Evening Post, discussed, "Research and the Case System in Relation to Education for Banking" in which he gave, among other things, his experience in developing the School of Business at Harvard University. Others who contributed to this interesting and valuable symposium were Clarence R. Chaney, of the American Institute of Banking and Louis Stephenson who read the report of Andrew Smith of Indianapolis, chairman of the Indiana State Educational Committee, and President Puelicher.

# Immigration, Buying and Tariff

By M. A. TRAYLOR

**Surprising Results Revealed Through an Investigation Conducted by the Economic Policy Commission. Largest Number of Replies to Tariff Question Indicated the Opinion that Duties Had No Effect on Local Prosperity. Division of Opinion on Immigration**

THE Economic Policy Commission decided, at the meeting in October that it would be desirable if the chairman of the Commission undertook to make another survey of certain conditions in the country and present a report to this meeting of the Executive Council, but voted that it would be advisable to make a change in the type of the survey to be undertaken. John S. Drum, when president of the Association, made two surveys, and last year Dr. Walter Lichtenstein, as Secretary of the Commission, made another. They did not conduct a referendum, but selected certain answers made to the questionnaires and did not give equal weight to every answer received. The same result might have been attained if questionnaires had been sent to merely a very few people in each state who were regarded as unusually qualified to express an opinion about economic conditions in their territory. This is not the usual and accepted way of making economic surveys.

## Three Questions

Accordingly, the questionnaire this year contained only three questions for the answering of which statistical information was not required. The questionnaire was sent merely to the members of the Association who had in previous years shown a willingness to assist the Commission. The answers received were tabulated, and no effort was made to weigh the answers of one individual against those of another. In other words, the report here submitted gives the results of a vote taken among the members of the Association on certain fundamental economic questions of interest at this time. To be sure, votes were cast by only 479, but as they were

in no sense selected, it may be taken for granted that these 479 represent fairly the opinion of all the members of the Association, just as in our ordinary elections, those willing to vote represent all the qualified voters of the district or country. Seven hundred and eight questionnaires were sent out on March 10, and, as stated, already, 479 answers were received, the last which were considered being received on April 13, 1923. The answers, therefore, represent conditions as they were understood to exist between March 10 and April 13.

## The Tariff

The first question asked was the following:

"What in your opinion is the effect of the present tariff upon the industries with which you are familiar? If it has had no effect so far, is it believed in your part of the country that the tariff will have any effect, either beneficial or injurious, upon the prosperity of your part of the state?"

One hundred and twenty answered that the tariff was injurious to the industries in their respective territories; 166 stated that the present tariff was beneficial, and 188 believed that the tariff had no direct effect upon the prosperity or lack of prosperity in their territory. A very large proportion of those voting believed that the tariff had little if any effect upon the welfare of the country, and in general there seems to be a feeling, which made itself evident also last year, that there is little interest in the whole tariff question. As one writer stated, the tariff is a local issue. Those regions of the country which deal mostly in raw products desire to obtain manufactured goods, either domestic or foreign, as cheaply as possible, while the regions where manufacturing

industries are predominant, not unnaturally, desire protection for these industries. One phase of answer is of special interest. A number of those answering the questionnaire living in agricultural regions made the statement that the placing of heavy duties upon grains has proved of no advantage to the farmer.

The second question read as follows:

"In your opinion is there much forward buying for fall consumption? Are retailers buying readily, and if so, along what lines?"

The striking fact will be noted immediately that according to answers from all over the country there is no tendency to buy heavily in advance. The lesson learned in 1919 and 1920 is evidently well remembered, and with few exceptions those answering the questionnaire believe that forward buying is on a very conservative scale and that there is little tendency to speculate in commodities. If this is so, and the same is borne out by reports made on this question by other organizations, there is little likelihood that we shall have repeated now the dangerous inflation of the year or two immediately following the war.

## Most Interest in Labor

The third question read as follows:

"Does there appear to be any shortage of labor in your part of the country which would be relieved if the present restriction upon immigration were to be relaxed? As far as you can judge, what seems to be the best opinion in your part of the country regarding the attitude which the country ought to assume toward immigration?"

Here we found the sharpest division of opinion, and in general those



answering expressed themselves with more feeling and passion regarding labor supply and immigration problems than in regard to the other questions which were asked. Evidently it is a burning subject in the whole country. It is not unnatural that where there is much labor shortage, immigration is desired, and where there is no shortage, the foreign element is found undesirable. It must, however, be stated that while in general this is true, not every individual, who replied that he found a shortage of labor in his territory, also asked for a letting down of the bars. Nor was the reverse always true. Sometimes where it was reported that there was no shortage of labor, it was, nevertheless, stated that the present immigration law was too strict, and still more often, where a shortage was reported, foreigners, nevertheless, were reported as unwelcome.

#### Desirable Nationalities

In determining how to classify an answer, there had to be a certain amount of reading between the lines. Dr. Lichtenstein, who made the survey again this year, as he did last year, in some cases found it necessary to use his judgment in classifying answers properly. This was especially true in regard to the third question. Many replied that there was no objection to immigrants from Northern Europe but that immigration from Eastern and South-eastern Europe and Asia was not desired, and, if possible, the regulations keeping out such people should be made even more severe than they are at present. It seemed to Dr. Lichtenstein, as it does to me, that this is almost tantamount to saying that at present immigration is not very much desired. The facts are that we cannot hope for very large immigration from Northern Europe for the present. There is no way of compelling certain peoples to come to us unless we are to undertake to offer bonuses, and to do so would require radical changes in our laws. If, then, we do not desire immigrants from those parts of the world from which people do wish to come to us, it simply means that we wish immigration curtailed more and more. It is, after all, a condi-

States	Tariff		Buying			Labor		Immigration			
	Beneficial	Not beneficial	No effect	Abnormally active	Normal	Conservative	Shortage	No shortage	Desired	Not desired	Total replies
New England											
Maine	..	..	1	..	..	1	1	..	1	..	1
New Hampshire	..	..	..	..	..	..	..	..	..	..	..
Vermont	..	..	1	..	..	1	1	..	..	..	1
Massachusetts	..	1	1	..	..	1	1	1	1	..	2
Rhode Island	3	..	..	..	1	3	4	..	..	1	4
Connecticut	4	..	1	2	..	3	5	..	4	..	5
Total	7	1	5	2	2	9	12	1	8	4	13
Middle Atlantic											
New York	1	7	7	..	6	9	13	2	7	6	15
New Jersey	1	..	1	..	..	1	2	..	..	2	2
Pennsylvania	7	..	3	..	5	6	9	2	5	4	11
Total	9	7	11	..	11	16	24	4	12	12	28
South Atlantic											
Delaware	..	..	1	..	..	1	1	..	1	..	1
Maryland	..	..	2	..	..	3	1	1	2	1	3
District of Columbia	..	..	1	..	..	1	1	..	1	..	1
Virginia	1	3	3	..	3	4	3	4	3	2	7
West Virginia	1	1	5	..	1	6	2	5	4	1	7
North Carolina	1	3	3	1	1	5	3	4	2	4	7
South Carolina	..	..	..	..	..	4	3	1	4	..	4
Georgia	2	1	3	..	..	4	3	1	..	5	6
Florida	2	2	..	..	..	4	1	3	..	3	7
Total	9	10	21	1	5	34	16	23	17	17	40
East North Central											
Ohio	9	1	9	..	9	10	15	4	12	5	19
Indiana	1	..	6	2	1	4	2	5	3	3	7
Illinois	5	8	17	4	7	18	7	23	8	13	30
Michigan	6	8	13	2	4	21	18	9	11	14	27
Wisconsin	2	1	7	1	1	9	7	3	7	2	10
Total	23	18	52	9	21	62	49	44	41	37	93
West North Central											
Minnesota	1	8	3	..	2	10	4	8	6	5	12
Iowa	3	2	8	2	1	10	1	12	1	9	13
Missouri	1	7	10	4	7	7	6	12	6	11	18
North Dakota	3	11	4	..	..	18	8	9	8	9	19
South Dakota	6	9	9	1	1	22	5	17	8	13	24
Nebraska	2	3	4	1	1	7	2	8	5	8	9
Kansas	4	5	10	2	4	13	2	17	11	6	19
Total	20	45	48	9	17	87	27	83	44	58	114
East South Central											
Kentucky	1	2	3	..	1	5	4	1	3	2	6
Tennessee	2	7	8	1	4	12	4	13	4	10	17
Alabama	..	3	1	2	..	3	3	2	3	1	5
Mississippi	..	3	5	1	1	6	4	4	..	7	8
Total	3	15	17	4	6	26	15	20	10	20	36
West South Central											
Arkansas	2	4	7	2	2	11	4	7	3	8	13
Louisiana	6	..	..	2	..	4	3	2	3	2	6
Oklahoma	1	1	4	..	..	6	..	6	1	4	6
Texas	3	1	5	..	2	7	..	9	3	4	9
Total	12	6	16	2	4	28	7	24	10	18	34
Mountain											
Montana	12	5	..	1	4	13	9	9	7	8	18
Idaho	6	1	2	..	..	9	2	7	2	5	9
Wyoming	15	..	..	1	3	11	2	13	3	8	15
Colorado	9	2	..	..	1	10	5	6	3	6	11
New Mexico	5	1	..	..	..	7	1	6	2	4	7
Arizona	6	..	3	..	..	8	7	2	3	4	9
Utah	5	1	..	1	1	4	4	1	2	3	6
Nevada	4	..	..	..	1	3	2	2	1	2	4
Total	62	10	5	3	10	65	32	46	23	40	79
Pacific											
Washington	3	4	2	..	..	9	4	5	2	6	9
Oregon	5	1	3	1	2	6	2	7	4	5	9
California	13	3	8	3	4	17	7	17	10	11	24
Total	21	8	13	4	6	32	13	29	16	22	42
Total of all States	166	120	188	34	82	359	195	274	181	228	479

tion and not a theory which confronts us.

Appended hereto is a table showing the answers by states and regions. It is easy to understand that in the New England and Middle Atlantic states the tariff should find favor, while there should be much opposition in the agricultural states of the West North Central region. In the old South, comprising the official divisions of East South Central and West South Central states,

we find the supporters of the present tariff, numerically almost as strong as its opponents. This illustrates clearly the shift that is taking place in the southern states. The Mountain states are favorable to the present tariff largely because it protects the wool growers. As already indicated, all parts of the country are agreed that forward buying is proceeding on a very conservative basis. It is only from the Middle West, comprising the East

North Central and West North Central states, that we have any large number of reports indicating an abnormally active buying, showing a tendency toward inflation. In regard to labor, there seems to be some shortage everywhere, but evidently it is not serious. As regards

immigration, it is evident that the eastern part of the country favors lenient laws, which is not unnatural because more than other parts of the country, its prosperity is dependent upon cheap labor, and especially the textile mills of New England have felt keenly the loss

of a constant influx of European labor. There are many other aspects of these various questions which possibly might be deduced from the appended table, but it is left to each reader to form his own opinions.

## Schools for Bank Directors

**T**O impress upon bank directors the seriousness of their responsibilities and the importance of their duties, the Department of Banking and Securities of Kentucky will this year conduct a school for bank directors in connection with each group meeting of the Kentucky State Bankers Association. This will be similar to work done last year by the Arkansas State Banking Department. The work of the schools will be accomplished by lectures, quizzes and talks by directors who really direct. W. W. Peavyhouse, deputy commissioner of banking, who will conduct these educational meetings says:

"We have felt the need for some plan whereby bank directors, and especially country bank directors might be informed more fully regarding their duties and responsibilities and as to how they may be performed and met to the best possible advantage, both to themselves and to the banks whose affairs they are supposed to direct.

"We have endeavored to do this by correspondence but have not been very successful. Letters written to banks relative to the duties of directors rarely ever get to the directors, and even letters written directly to the directors are probably not read in most instances. We therefore considered this an excellent plan,



Henry M. Dawes, Comptroller of the Currency

In the presence of members of the Federal Reserve Board, the Farm Loan Board and other officials, the oath of office was on May 1 administered to D. R. Crissinger of Ohio, formerly Comptroller of the Currency, as Governor of the Federal Reserve Board and to Henry M. Dawes of Chicago as Comptroller of Currency to succeed Mr. Crissinger in the latter office. The ceremony took place in the office of Secretary of the Treasury Mellon.

provided directors could be induced to come to these meetings.

"The responsibilities assumed by directors when elected are far more serious than the ordinary director supposes. This is demonstrated in cases where directors have been held liable for losses sustained through negligence in the performance of their duties. When directors are elected the whole responsibility of operating the bank is shifted from the stockholders upon the shoulders of the board of directors.

"Directors are charged with se-

lecting the officials necessary to operate their bank. In too many cases after this is done the directors consider their duties performed and turn the affairs of the bank over to these officials and fail to give the bank very much attention thereafter. They consider that they have shifted their responsibility upon the officials, consisting of the president and cashier, but they have not. Directors are responsible to the stockholders for the acts of these officials.

"In most cases, however, a committee is selected from the board which is delegated to look after the affairs of the bank, but even this committee in a large number of cases does not function. In a large number of country banks this committee

turns the operation of the bank over to the cashier and thus the whole load is upon his shoulders, and hence so many 'One Man' banks which we hear so much about."

It is entirely possible that the school idea for bank directors may be so presented as to be made attractive to business men thereby bringing additional strength and additional interest to the banks with which they are affiliated.

# Uniform Trust Receipt Act Needed

By KNIGHT WOOLLEY, Assistant Cashier

The American Exchange National Bank, New York

WITH the improvement in financial and economic conditions will come a corresponding increase in our foreign trade and an expansion of our banking facilities to meet the needs of the importer and exporter. Of the instruments used by the banker to help his customer take advantage of this growing world-commerce, none is more vexing in the uncertainties surrounding it or more generally misunderstood, than the trust receipt. And although in universal use throughout the trading nations, it has practically no standing in the eyes of the law in the United States.

## Receipt Was Sufficient

Prior to the war the trust receipt seems to have served its purpose with comparatively few complications and almost no litigation, possibly because those engaged in foreign business at that time were men, for the most part, of long years of experience who thoroughly understood the dangers as well as the opportunities of their calling.

Since 1914, however, conditions have changed to such an extent that the trust receipt, which formerly seemed to furnish a bank security almost equal to actual possession of merchandise, suddenly developed weaknesses previously unsuspected. This was due partly to the use of trust receipts in new and untried ways and partly to the sudden collapse of the foreign trade boom which put some of the old and many of the recently established companies in the hands of receivers and liquidating committees.

Today this instrument is used almost entirely in connection with the financing of imports and exports of merchandise. An example of one of the many types of transactions involving the trust receipt is the importation of coffee from Brazil under the customary ninety days sight letter of credit in dollars, opened by a bank at the request of its customer, in favor of a Santos

coffee exporter. After shipment, the draft drawn at ninety days sight in conformity with the credit and with documents attached, is presented to the bank in this country and accepted. The banker, then, has pledged himself to pay the acceptance on a certain day, and holds as collateral the bills of lading giving title to the goods. As he is not, however, in the merchandising business, it now becomes necessary to turn over the documents to the coffee importer in order that the latter may warehouse or sell his merchandise. When this is done, the coffee merchant signs a trust receipt in which he promises, in brief, to hold or sell the goods for the account of the bank, turning over to the bank the proceeds of the sale to pay the outstanding acceptance at maturity. As long as everything goes well with the importer, this is an admirable arrangement satisfactory to both the bank and its customers.

## In Case of Bankruptcy

But where does the creditor bank stand should the debtor for any reason become bankrupt and go into the hands of a receiver before meeting his obligation? Unfortunately, there seems to be no unqualified answer to this question. In the past few years, particularly 1920-21, following the general business collapse, many trust receipt cases found their way into the courts, the immediate cause being usually an attempt by the bank to force the receiver to deliver the goods or sales money, as specified in the terms of the trust receipt. The right of the bank to share with other creditors is understood, but the claim of the bank to recover the actual merchandise or the proceeds of its sale, has met with many and varied decisions. The trust receipt as an instrument, is not recognized in our law, and as a result, many of the decisions given by the courts are based on extraneous points, having to do with

particular cases only, and in no way establishing a precedent or fixing an exact status for the trust receipt upon which it is safe to rely.

## Two Decisions

Two recent and interesting decisions by Judge Augustus N. Hand in the United States Circuit Court of Appeals\* seem to definitely limit the effectiveness of the trust receipt to certain classes of transactions. In these cases, unlike the example of the coffee importation cited above, the merchandise in question was turned over by the debtor companies to the banks as collateral against loans and then in turn at a later date released by the banks to the borrowers on trust receipts. Upon the insolvency of their customers, the banks brought suit against the receivers to recover the goods, which they claimed under the terms of the trust receipts. The decisions in both cases were against the banks, Judge Hand ruling that if title is conveyed from a debtor to a bank by warehouse receipt or other evidence of ownership, only possessive title is obtained and title would again pass to the debtor if the warehouse receipt or evidence of ownership were returned to him. These cases tend to strengthen similar decisions in the same sense and definitely limit the effectiveness of the trust receipt, at least in New York State, provided no reverse judgment is obtained at some future time. By implication also, these decisions seem to show that if title is placed in a bank from a source independent of the debtor, the bank's title is good and continuing even though the collateral is released to the debtor.

"The holder of a Trust Receipt has no better standing than the holder of any unfiled chattel mortgage unless he derives his security title from a person other than the one responsible for the satisfaction of the obligation which the property secures. In such a case only

\* Columbia Law Journal, Monday, September 25, 1922.



can he deliver the property to the obligor to act as his fiduciary."

### Situation Precarious

However, from the point of view of the bank that is releasing thousands of dollars worth of merchandise on trust receipts to customers residing in many different states in this country, the situation at best is complicated and precarious. As a result of this uncertainty, the bank, in its efforts to safeguard the interests of its stockholders and depositors, is inclined to consider the release of collateral on trust receipt as an unsecured loan and the trust receipt as no better security than the signature it bears.

In the expansion of our foreign trade, this uncertainty regarding the status of the trust receipt is a distinct disadvantage to the importer or exporter who has merchandise in his possession, title to which he would willingly hypothecate as security to his bank if he could again obtain the goods on trust receipt as needed. In the same sense, it leaves the bank in the difficult position of not knowing how good a title it has to merchandise released on trust receipt to a customer. Because of convenience and long years of custom, the trust receipt has become an essential part of the machinery of foreign and occasionally of domestic trade, and in spite of its defects, it is an instrument which cannot very well be discarded.

### Prevent Uncertainty

There is serious need, then, for some sort of a Uniform Trust Receipt Act, which would once and for all do away with the uncertainty now surrounding this instrument. Whether such a uniform act could be passed as Federal legislation, as the Bills of Lading Act, or whether it should be passed by each state in turn, as the Negotiable Instrument Act, is a question for others to decide. One way or another, the need for some such legislation is apparent.

Time devoted to the economic education of the community is time well invested. The work instead of being a burden becomes a pleasure.



Envoys to Mexico

John Barton Payne (left), Chairman of American Red Cross and Charles B. Warren (right), former American Ambassador to Japan appointed to conduct Preliminary Negotiations looking to the Recognition of Mexico by the United States.

### Employers Bidding for Labor

A survey made by the National Industrial Conference Board establishes the fact that the shortage of labor is comparatively small, "amounting on the average to only about 2½ per cent. of the total number employed in industry on March 15," says the Board. "Employment is by no means at its peak, and was relatively much greater in 1920. These facts indicate, however, the very considerable effect that a small labor shortage has on the industrial situation. One of the important facts brought out by this inquiry, however, is the general opinion among those closest to the labor situation that the shortage will definitely increase as the demand for farm and other types of outdoor labor increases during the summer.

There seems to be very little possibility of immediate relief.

"During the last two weeks in March more than 190 wage changes were noted in spite of the fact that there has been no marked increase in the cost of living during the last few weeks. The wage increases which have been made, therefore, must be almost wholly attributed to the reported shortage of labor. Employers are evidently actively bidding against one another."

As long as prosperity continues it appears, therefore, that the question of immigration will by this condition be forced upon Congress and upon public opinion for a decision. As the report intimates there is likely to be sharper interest when the need for harvest hands arises.

# Committee on Federal Legislation

**I**F the bankers of America could know how much is prevented by the Committee on Federal Legislation there wouldn't be a banker in America who wouldn't be a member of the American Bankers Association," said President Puelicher in calling on A. E. Adams, chairman for the report of that committee. "But because it is an intangible service it is not understood."

In his report Mr. Adams said:

The Committee on Federal Legislation has been active during the 67th Congress which ended March 4, 1923, watching all bills introduced in Congress which affected the banking interests, opposing those deemed harmful and favoring those deemed beneficial.

Attached to this report are printed Digests Nos. 1, 2, 3, 4 and 5. These Digests contain a complete summary of all legislation affecting banks introduced in the 67th Congress, including bills passed as well as bills pending at the close of Congress, and also the complete record of Federal Legislation. It will be necessary in this report, therefore, to make reference only to some of the more important matters.

## Postal Savings Legislation

Your Committee is pleased to report that its efforts in opposing legislation designed to enlarge the powers of the Postal Savings banks including an increase of the rate of interest were again successful. The Steenerson bills (H. R. 8334 and H. R. 14,038) providing such an enlargement of powers were successfully fought to a standstill.

I might say the ammunition which brought about that result was very largely the ammunition furnished by the ever loyal members of the Federal Legislative Council who, as is their wont and has been, were very responsive when the S. O. S. was sent out. I would like to say also in connection with this bill that you are going to have to fight it every year till the end of time. It is a very fine example of what happens when you let a pernicious measure get through at all; however harmless it might seem to be on the face, it has the makings of all kinds of trouble. I think the Postal Law was originally passed in 1910 or 1912, but there has not been a session of Congress since that it hasn't risen up as a big trouble maker for this Association and there never will be an end of the trouble it causes so long as that law is on the books. Bureaus are things that grow from within and it is constantly pushing out and reaching out.

Mr. Beach referred yesterday to the fact that the Postal Department was trying an experiment in Toledo in an industrial savings scheme. The Postal Department is also planning, as he mentioned, to go into the public schools.

There is simply no end to it, gentlemen.

I am not going to say that I would favor asking Congress to repeal the Postal Savings Law for I am perfectly confident it would be a useless procedure. But there is no curtailment of this Postal Savings trouble except through such repeal.

## State Taxation of National Banks

I think I will omit reading this paragraph because the matter was fully covered and splendidly so by the Chairman of the Special Committee which did the work. But I can't omit saying a word with respect to the work of that Committee. I doubt if the Association has ever had a more troublesome or complicated and difficult problem to solve than the one involved in the necessary amendment of Section 5219 and the work was most splendidly done and the men who are responsible for it, Mr. Fuller and his Committee and Judge Paton, are entitled to a great deal of credit and the most cordial thanks of the Association.

## National Bank Reports

A bill favored by our Committee which provided that national banks should make not less than three, instead of five reports to the Comptroller during each year, has also become law.

Reference is made to the full report filed by our Committee at the last Annual Convention showing the various subjects of legislation upon which our Committee were active during the 67th Congress and the status of such legislation down to that time. It is unnecessary to duplicate the matter contained in that report.

## Agricultural Credits

Congress passed at the close of the last session, an important bill relating to agriculture, a bill creating a system of twelve Federal intermediate credit banks in the Federal Farm Loan System, subsidized by the Government with a capital subscription of five million dollars each; also a system of national agricultural credit corporations to be organized with private capital and be under the supervision of the Comptroller of the Currency.

All bankers are, of course, agreed that in thus setting up a new system of Government-owned banks, Congress has violated again one of those vital first principles upon which the safety of our country depends. We of our Committee are glad to go on record as violently opposed, and at all times opposed, to this and every other measure of its venomous kind. But it was the opinion of the Administrative Committee of the Association that enactment of this law could not be prevented and that an attempt to prevent it would result in

nothing but injury to the Association. So we did nothing. It is perhaps needless to add that "nothing" was about the hardest thing we could have picked out to do.

## Branch Banking

We have taken no action with respect to the resolution on branch banking which was passed by the general convention at New York last fall. The resolution expressed sweeping disapproval of branch banking but did not give us instructions to act and we ourselves knowing how far-reaching might be the effects of an anti-branch bank law and how widely divergent are the opinions and wishes of many members of the association about it, were unwilling to assume the responsibility of acting without such instructions. It is to be remembered that under the Constitution of the Association our Committee is an executive rather than a judicial body. We have no authority to decide questions of policy.

In conclusion, our Committee wishes to submit the following specific recommendations and wishes to ask for the favorable consideration and favorable action of the Council on them.

1. We recommend an amendment to the By-Laws which will add to the Committee on Federal Legislation as members ex-officio, the respective Chairmen of the Committee on Federal Legislation of the four Divisions of the Association.

You understand this, gentlemen. We have a Committee on Federal Legislation, we have a Federal Legislative Council. Each Division of the Association—National Banks, State Banks, Trust Companies and Savings Banks—has its own independent Federal Legislative Committee. As we are now put together there is quite a duplication of work, quite a number of these committees go over the same ground. In other words, there is a lot of waste energy. If we can make the Chairmen of these Divisions' Committees members, by right of their office, of our Federal Legislative Committee we will save a good deal of time and energy and guard ourselves against the possibility of having one Division work against the other. That is the first recommendation.

The second is that our Committee be given authority to ask Congress to amend the national bank law to provide for indeterminate charters for national banks.

That is a subject with respect to which you all have opinions.

The third and last recommendation is that our Committee be given authority to seek to obtain legislation from Congress which would permit national banks to loan on city real estate for the same term of years as they are now authorized to loan on farm land.

# Costs As a Basis of Tariff Adjustment

By Philip G. Wright

Institute of Economics, Washington, D. C.

**The Many Obstacles and Perplexities in the Way of Making a Flexible Tariff. Three Major Problems—Securing Data, Joint Costs and Varying Costs Are Suggestive of the Amazing Ramifications Encountered. Impossible to Obtain Some Foreign Data**

**S**ECTION 315 of the Tariff Act of 1922 authorizes the President, within certain limitations, to change the rates provided in the act so as to make them just sufficient to equalize costs of production between foreign and domestic producers. The investigations necessary to determine the foreign and domestic costs are to be made by a Tariff Commission.

A wide-spread sentiment in favor of moderate protection, the long felt need of more speedily adjusting rates to changing business conditions, and a desire, persistently expressed, to "fake the tariff out of politics" are responsible for the provision. To what extent is it likely to fulfill these purposes?

## Moderate Protection

There are extremists who advocate absolute free trade and there are extremists who advocate a "Chinese wall" policy for the tariff, but the overwhelming majority favors a tariff policy which will at once prove helpfully protective to American industry and at the same time will yield considerable revenue to the government. To such the principle of equalizing costs or of equalizing competitive conditions is very captivating. It makes an appeal to the American spirit of fair play. What could be fairer, it is said. All that the American producer has a right to ask is "a fair field and no favor." Let the American importer and the American producer compete on equal terms. By this policy both are stimulated to greater efficiency, revenue is assured, and the consumer is protected against monopolistic tendencies which might arise under prohibitory rates.

## Objection on Grounds of Theory

In spite of its plausibility, however, the principle of equalizing costs is distinctly objectionable on grounds of economic theory. Countries differ from one another in natural resources, and in the aptitudes of their peoples. Some can produce one kind of articles and others another kind of articles with a minimum of human effort. There is clearly economy in human effort in satisfying a people's wants when each nation devotes itself to the production of those articles in which it has a comparative advantage and obtains those articles in the production of which it is at a comparative disadvantage by exchange rather than by trying to produce them itself. The difference in costs of production is a measure of comparative advantage, hence, if the principle of equalizing costs is to be rigorously applied to all industries, it will simply result in neutralizing all advantage in international trade.

The truth of the above line of reasoning will be accepted quickly enough in extreme cases such as the production of tea and coffee, but in all other cases the economic loss sustained by a people in forcing themselves to produce things for which they are less well adapted than some other people, is only a matter of degree.

## The Practical Problems

It is not the purpose of this paper, however, to enter into a general theoretic discussion. Rather it is to point out some of the practical problems which confront the Tariff Commission, and to draw some con-

clusions as to the extent to which the "flexible provision" is likely to realize the hopes of those who secured its enactment.

There are three major problems which the Tariff Commission must solve.

- (1) The problem of securing data.
- (2) The problem of joint costs.
- (3) The problem of varying costs.

## (1) The Problem of Securing Data

Domestic costs.—By no means the least of the difficulties arises at the outset. How are costs to be ascertained? So far as domestic producers are concerned the Tariff Commission has full authority to make cost investigations. Blank schedules may be sent to the producers, covering details and ramifications of the business as minutely as the Commission may judge necessary for its purpose or they may be required to open their books to the inspection of the Commission's accountants. But for reasons that will presently be explained it is necessary, if the investigation is to be at all scientific, to get returns from all or nearly all of the producers in a given industry and the process is expensive and requires time. If the investigation is to be confined to a few commodities about which there is acute controversy, it may be feasible, but if equalization of costs is to be applied as a general principle to all the articles in all the schedules, the fact may as well be faced at once that the obtaining of domestic costs alone will prove a colossal undertaking.



### Foreign Costs

But the problem of obtaining domestic costs is simple compared with that of obtaining foreign costs. Over foreign producers the United States government exercises no authority. Their action in submitting costs to the Commission's agents must be wholly voluntary and there is good reason for believing that such assistance will not in general be given. Costs of producing sugar in Cuba and of producing lumber in British Columbia have been submitted. In both of these instances the situation was such that the foreign producers conceived it to be for their advantage to submit costs, but such cases are likely to prove exceptional.

### Costs by Inference

In the absence of figures derived directly from the books of the companies, the Commission is authorized to use wages and prices of materials in estimating costs. But it is notorious that such data is inadequate. A low cost is quite as likely to result from mass production, perfection in organization, and other factors as from low wages and low prices of materials. Not infrequently the establishments paying the highest wages, show the lowest costs of production because of the superior skill and efficiency of the individual laborers, and the effectiveness of the organization through which their labor is applied. In the case of the sugar and lumber industries from which data were secured, a wide disparity of costs was shown among individual establishments in the same region. The cost for one producer was sometimes more than double that of one of his competitors. Yet all of these producers had access to the same labor and material market.

### (2) The Problem of Joint Costs

The case stated.—In an important class of cases the difficulty of obtaining costs of production either from foreign or domestic producers arises not because of the unwillingness of such producers to furnish information, but because from the very nature of the industry separ-

able costs for the commodity in question simply do not exist, and can be approximated only by some arbitrary hypothesis. A certain amount of expenditure is incurred in producing cotton. From the cotton so produced are derived cotton seed and cotton fibre. What proportion of the expenditure devoted to the production of cotton should be assigned to the fibre and what proportion to the seed? After the fibre and seed have been separated the remaining expenditures incurred in manufacturing oil and oil cake from the seed, and cotton fabric from the fibre present only the ordinary problems of book-keeping. Such expenditures are separable costs. But before the fibre and seed have been separated the expenditures are joint costs, incurred indifferently for both products, and any segregation to either of them is purely arbitrary.

### By-Products

Where one or more of the products is of minor importance in comparison with the principal product, it is customary to deduct the receipts for such by-products from the total costs, thus reducing the cost of producing the principal product. This is equivalent to assuming that the cost of producing the by-products is exactly equal to the receipts derived from them. Such a method is unobjectionable from the standpoint of the business, and even for tariff purposes, if the by-products are of small relative importance, and of about the same importance relative to the principal product in both the foreign and domestic establishments, it is not open to serious objection, when used for the purpose of ascertaining an equalizing duty for the principal product. It throws little light, however, on the equalizing duty for the by-product. In the case of sugar and molasses, for example, it may be used for the sugar but hardly for the molasses.

### Joint Costs in Proportion to Receipts

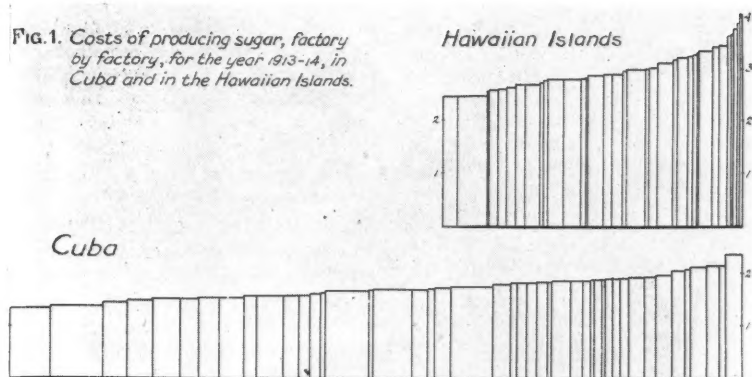
Another method frequently adopted is that of apportioning joint costs in the ratio of receipts, or receipts diminished by the separ-

able costs. This method also is unobjectionable from the standpoint of the business and for tariff purposes is probably preferable to the method first described, but its application may lead to some curious results. For example, suppose the cost of raising sheep is assigned to wool and mutton in proportion to the receipts from wool and mutton. It is quite conceivable that no mutton is being imported and that hence the duty on mutton in no way effects its price. Wool, however, is being imported and hence the duty does increase its price. The increased price brings increased receipts to the wool growers. But if costs are allocated in the ratio of receipts, the cost of producing wool will appear to be increased, and hence in order to equalize foreign and domestic costs the duty will have to be still further increased. Every increase in duty will therefore necessitate a still further increase in duty until its imposition no longer increases the price, *i. e.*, until it becomes virtually prohibitory. Again, the year in which the cost study was made may have been one which had proved disastrous to lamb raising and hence the receipts for lamb and mutton were small. The receipts being small, the costs would be small, and hence the equalizing duty on lamb and mutton would be made low at the very time when this branch of the industry was suffering and most in need of protection. Other methods of assigning joint costs have been devised, which it is not necessary to discuss here. Enough has been said to show that the cost assigned to a joint product is based upon some arbitrary hypothesis rather than actual dollars and cents. Doubtless in many establishments costs which more careful book-keeping would assign to the several joint products as separable costs are in fact assigned to them arbitrarily. But such costs are not in reality joint costs and to them the preceding discussion does not apply.

### (3) The Problem of Varying Costs

Different establishments show different costs.—Even when both foreign and domestic costs of pro-

FIG. 1. Costs of producing sugar, factory by factory, for the year 1913-14, in Cuba and in the Hawaiian Islands.



duction can be accurately ascertained the problem is by no means solved. In all of the cases in which the Commission has succeeded in securing data, the costs even in the same region are found to vary over a wide range among the individual establishments. The discussion of this phase of the problem can be greatly simplified by means of a diagram<sup>1</sup>.

#### Description of the Diagram

The diagram consists essentially of a series of rectangles increasing in altitude from left to right and placed side by side along a common base line. There is a rectangle for each factory, the base being drawn proportional to the output and the altitude proportional to the cost in cents per pound. A pre-war year was selected in order to show that the great disparity in costs is not a temporary phenomenon due to abnormal conditions brought about by the war.

#### Which Cost Shall Be Used?

With such an array of costs before the eye the difficulty of the problem of finding a single rate of duty which will "equalize costs of production" becomes apparent. Which costs shall be taken for comparison? Shall we take the lowest or the highest or an average? Probably most business men would unhesitatingly say the average. But a glance at the diagram makes it ap-

parent that duty merely sufficient to protect the average cost producer in Hawaii would be insufficient, for nearly half the industry in that region. Prices are not determined by average costs of production, and it is the foreign price not the foreign cost of production with which any domestic competitor must compare his own cost of production in order to determine his ability to survive.

#### Marginal Cost Defined

As all the producers sell in a competitive market where the price obtained is likely to be as good for one as for another, it is clear that the producers make progressively less profits as they are further to the right hand side of the diagram. That producer whose cost, year in and year out, averages such that he is just able to survive may be called the *marginal producer*, and his average cost of production may be called the *marginal cost*.

#### Equalizing Rate May Be Based on Marginal Cost

The experience of the Tariff Commission shows that in any given year there are always some establishments whose cost is higher than the marginal costs and are hence producing at a loss. These "extra-marginal" producers, as they are sometimes called, are normally few in number and produce but a small part of the output. They are made up of establishments which are in process of elimination because of incompetent management, poor location, or other cause, or of estab-

lishments ordinarily prosperous, but suffering from adversity on the particular year for which the data were collected. They constitute a class which, it would be generally conceded, it would be unwise to protect. A duty which will be sufficient to protect the marginal producer, will obviously be sufficient to protect all producers showing a less cost. Hence, if a duty be imposed equal to the difference between the domestic and foreign marginal costs of production, that duty will be just sufficient to maintain the industry in its present status. Whether this rate more satisfactorily meets the condition of "equalizing costs of production" than any other rate higher or lower is questionable, as will presently be shown.

#### Average May Be Substituted for Marginal

A rate which will maintain the industry in about its existing status may therefore be determined by finding the difference between the domestic and foreign marginal costs of production. But the marginal cost is difficult to obtain. The ascertainment of marginal costs with any degree of accuracy requires returns from practically all the establishments, and even when adequate data are secured, it is a matter of some uncertainty just where to draw the line that shall cut off the "extra-marginal" fringe of producers who are to be regarded as undeserving of protection. As the average foreign cost is just about as much below the marginal foreign cost as the average domestic cost is below the marginal domestic cost, the difference between the averages is not likely to differ widely from the difference between the margins and hence may be substituted for it in determining the "equalizing" rate of duty without any great violence to scientific accuracy—especially in view of the principle to be explained in the next paragraph.

#### Marginal Costs and Duty

Suppose that Congress were to increase the duty on Cuban sugar, say, to three cents per pound. The high-cost Cuban producers would be unable to sell at a profit in the

<sup>1</sup>Reproduced from Chart 1, following page 55, Tariff Information Series No. 9, United States Tariff Commission, "Costs of Production in the Sugar Industry."

American market and would be forced either to find some other market or go out of business. The decreased supply would tend to raise the price in the United States. The increased price would make it possible for less effective domestic producers to enter the field. Hence there would be a tendency for the domestic marginal cost of production to be raised and for the Cuban marginal cost of production to be lowered. Equilibrium would be restored when, allowing for transportation costs, the domestic marginal cost exceeded the Cuban marginal cost by just the amount of the duty, *i. e.*, three cents per pound. Since, therefore, the duty determines the difference between the respective marginal costs, it is futile to use marginal costs as a means of determining what the duty should be. Any rate of duty, whatever it is, short of a prohibitory rate, will, after the lapse of years, be found to be just sufficient to protect the domestic marginal producer and hence in a certain sense may be said to equalize costs of production. What is said here of marginal costs will in the main apply to average costs.

But the process of adjusting the marginal costs to the rate of duty takes several years. Hence, if the rate which has been in force for many years is raised, and a cost investigation is completed immediately after the increase in rate, the new rate is likely to be found too great, on the marginal cost test, by just the amount of the increase, and if the rate be lowered, it will be found, on the same test, to be too low.

#### Rate of Duty Determines

The rate of duty determines the relative importance of imports and of domestic production in the domestic supply.—From what has been said it is evident that in determining a tariff rate it is not in general true that the alternatives are the prosperity or destruction of an American industry as a whole. It is rather that of determining what proportion of the total domestic consumption shall be derived from imports and what proportion from domestic producers. The higher the rate of duty, the higher will be the domestic marginal cost

of production, the higher the price, the greater the profits of low cost domestic producers, and the greater the proportion of the domestic consumption which is domestically produced. Looked at from another angle it may be said that the problem before the tariff maker of protectionist leanings is to decide how great a degree of ineffectiveness it is wise to protect in the interest of national self-sufficiency and at the expense of an increasing burden upon the public.

The burden upon the public may under certain conditions be only temporary. When the industry in question is well adapted to the United States and only requires an opportunity to gain a foothold, such an opportunity may be afforded by a protective tariff. In this case, once the foothold is secured, the increased output may be forthcoming at a decreasing rather than increasing marginal cost. When the domestic marginal cost has fallen to the level of the foreign marginal cost the duty becomes purely nominal. The domestic industry is then in a position to compete with the foreign industry on even terms.

#### As a Political Question

It is at least debatable, whether good public policy does not call for discrimination among industries with respect to tariff duties. It may be that the general welfare, in the case of some industries, calls for rates so high that practically the whole American market should be assured to the domestic producer even at a heavy burden upon the public; in the case of other industries for rates which will divide the American market between domestic and foreign producers in fairly equal proportions; and in the case of still others for the placing of the article in question on the free list, leaving the domestic industry to shift for itself as best it can.

It is certain, that in the making of such discriminations conflict of interests will arise. Different groups of business men will demand from tariff makers, whether these tariff makers be members of Congress or of the United States Tariff Commission, high duties for the products of their own industry and

low duties or no duty on the raw material which they consume. Some of these business men are dominant in one section of the country and others in another. Hence conflicting pressures, industrial and sectional, will be brought to bear upon the rate-fixing body.

Discrimination among industries in the interest of national welfare clearly involves questions of policy. The result must depend upon the political philosophy of the legislators. That is, it is a political question, not a matter for routine administration by formula.

#### Sectional Rocks

To what extent and in what manner an administrative body such as the Tariff Commission can best assist the dominant party in Congress in determining the precise rates which will exemplify its political philosophy, when that political philosophy has been laid down for its instruction in broad lines, and how in so doing it can maintain a scientific spirit, pursuing a course directed solely to national ends amid the rocks of industrial and sectional selfishness, are questions calling for the most careful and serious discussion.

If the Commission makes a cost study immediately after the passage of an act raising the rates of duty, the increased rates will probably be found too high to "equalize costs of production," whereas if the study is made some years after the increase in rates, they will be found to be just sufficient to "equalize costs of production." Hence the method can hardly be satisfactory in speedily or scientifically adjusting rates to changing business conditions. Finally, the difficulty of obtaining costs, and the multitude of varying costs when obtained leave so much room for the exercise of judgment in naming the equalizing rate that the Commission can hardly fail to make its underlying tariff philosophy the determining factor. The provision for a "flexible tariff" in the Act of 1922, therefore, is less likely to "take the tariff out of politics" than to get the United States Tariff Commission into politics.



# The Distribution of Economic Truth

**T**HE work which the American Bankers Association, directed by the Public Relations Commission, is doing to spread economic truth through the medium of newspapers was strikingly illustrated when Francis H. Sisson, Chairman of the Commission caused to be distributed at a session of the spring meeting newspapers showing, through the reproduction of articles sent to the editors, the desire of publishers to give to the public the truth about money wealth and the distribution thereof. Mr. Sisson spoke as follows:

## Offsetting Radicalism

The chief activity of the Public Relations Commission since the first of the year has been devoted to developing a system of sending to the country weekly and daily press articles on business, banking and economics aimed to offset radical propaganda tending to unsettle public confidence in the present business system, and to bring on a period of unsound money. Material containing simple statements of fundamental economic truths have been sent out to 1,500 papers in the form of cast plates of type, or in the form of matrices from which type can be cast. The aim is to carry the chief part of the expense of publication of this material to promote its use by the country newspapers.

## Press Co-operation

The returns have been most gratifying, showing that the columns of the weekly and daily press are wide open to us for almost any amount of sound business material that we may wish to send them. Many papers not included on our original lists have asked that this material be sent to them, and in cases where the papers are not showing a receptivity to this material others are being substituted, so that eventually we will have a list which we hope will represent 100 per cent. efficiency.

The success of this work makes us desirous not only of continuing it through the rest of the fiscal year, but of at least doubling it—that is, to send it out to a list of about 3000 papers.

The reaction has been marked. Some papers have proudly announced that they have obtained the rights to print this material. Also, members of the American Bankers Association have noted the publication of our syndicated articles and, in one instance, a member in the far west wrote that he would use this line of work as an argument for new members, since it showed that bankers are receiving benefits through their membership in the Association in the form of an improved public sentiment built up toward business and banking by means of publicity.

## Importance of This Work

In every case where newspapers are using our syndicate material we have written to our local bank members, calling their attention to this fact. We have also written to the publishers of the newspapers, expressing our appreciation at their co-operation and letting them know that we have called their action to the attention of our local members. We believe that this is serving to improve materially the understanding and good will between bankers and publishers.

We feel that this service, if properly developed, can be made the most powerful and effective means among the Association's activities for realizing President Puelicher's conception of the function of the working body of the Association; namely first to sell the Association to the Bankers of the country by showing them that their dues are coming back to them in the form of improved local sentiment toward banking, and in a generally better public opinion toward business; and, secondly, to sell the bankers to the country through presenting the business of banking in its true light as a great public service.

## Regular Publicity

In addition to this special work, our regular publicity activities have been attended with increasing success. The great amount of publicity obtained during the convention in October has resulted in a ready reception for all news items sent out by the Association to the press throughout the country. We feel that publicity has greatly increased the standing and prestige of the Association throughout the nation.

Now, gentlemen, I feel we owe a very great debt to the presidents who have come in line in recent years, all possessed with this fine idea. My own experience in this situation dates back to President Hawes' administration when he struck the first note and did most effective work. Then, following, Mr. Drum with the same vision and Mr. McAdams with the same feeling and finally—we have struck twelve so far as our administration is concerned in Mr. Puelicher.

## A Duty to the People

I believe we have before us a very vital and useful service which will be reflected not only in better understanding in regard to banking problems but in profit, peace of mind, in standing, both at home in the nation and for every banker in the country. I believe more than that we have not only this offensive weapon in our hands but also the greatest defensive weapon we could employ. You all know the widespread agitation—unsound credit, money, unsound activities of all sorts, new efforts

by those who have been injured in the general reaction to lift themselves up by their economic bootstraps. It always happens in the history of the democracy that these things come up in periods of distress. Certainly, with everything at stake, we have a very great duty to the American people yet before us, to get before them the basic facts of understanding on our economic problems. I believe personally there is no finer service we can render not only to ourselves which can show on the profit side of our books, not only to the general banking community, but to the country as a whole and the business community.

## Tangible Evidence

I personally feel we have started, experimentally, with success a formal service which we ought to expand. If we can serve 1,500 newspapers successfully—and we can find 3,000—we might ask you for support in a further step. Be that as it may we do not propose to move too rapidly. The work of the Publicity Department as we have adapted it at headquarters has been growing more useful and its contact with the papers has been becoming increasingly profitable. I think with that, I will refer the visible matter of the response you have gotten from the newspapers, which we could repeat here, to those of you who are interested in this particular phase of the subject. Our purpose is to do more and better; increasing intelligence and constantly increasing the measure of service to the Association, just as far as intelligence guides us.

The other branch of the Committee's activities, publication of the JOURNAL, I am going to ask James E. Clark, the Editor, to report on in detail. I feel in the past two years, during which time we have taken the JOURNAL out of its somewhat innocuous position to that of a real banking organ we have rendered a service also, not only in distributing banking news to the public but in informing our own members in an attractive, perhaps an interesting way, concerning the activities of the Association and the great business and commercial world.

President Puelicher: "About 1,500 papers are accepting this matter now. We are contemplating getting the distribution to 3,000—that gives a circulation on fundamental economics of 8,000,000. Our aim now is to reach approximately 16,000,000.

As a matter of fact, the newspapers, as Mr. Sisson has said, are just hungry for facts that they can bring before the people. I have been receiving an avalanche of appreciative letters from members, offers of service from teachers of economics in Universities, and every other kind of thing in support of sound thought, and I am delighted with the work that Mr. Sisson's Committee has been doing.

I want you to see the man whose energy is supporting Mr. Sisson and who is really translating our plans into action. Will you rise, Mr. Ed-

wards? This is Mr. Gurden Edwards, of our Publicity Staff who is doing a wonderfully fine work and he is being wonderfully supported by the Editor of

the JOURNAL who will now make his report.

A report covering the program of the JOURNAL was then read by the Editor.

## Commerce and Marine Commission

**I**N the absence of Fred I. Kent, chairman of the Commerce and Marine Commission, who remained in Europe following the close of the Congress of the International Chamber of Commerce, Mr. Earl S. Gwin of Louisville gave a synopsis of the work of the committee and read a memorandum sent from Rome by Mr. Kent, as follows:

After consulting with several representatives of the American Bankers Association who attended the meeting of the International Chamber of Commerce at Rome and finding that it was the consensus of opinion that a report on the Convention be held over for the Fall Meeting of the Council, I will not at this time file a report as Chairman of the representatives of the American Bankers Association. The main reason for delaying the report lies in the fact that the principal undertaking of the Meeting still remains to be worked out and no report could be made at this time that could give a complete idea of the constructive work undertaken by the Chamber.

As Chairman of the Commerce and Marine Commission, however, I desire to call the attention of the Executive Council to the action of the Commerce and Marine Commission which was taken at the Meeting held before the Convention in October, 1922, which resulted in the introduction into the Resolutions of the Convention of the following recommendation:

(The resolution referred to was printed among others in the November JOURNAL under the heading "Foreign Situation." It urged the President to make such adjustments of the Tariff from time to time as would restore our foreign trade, and it further urged that our representative on the Reparations Commission be made an official of that body.)

If the Executive Council feels justified in again calling this matter to the attention of the American people with all the force that can be brought to bear it should be most helpful in developing public opinion that will result in the action desired. It is my understanding that other organizations are considering doing the same thing.

There is no existing authority in the United States at present which can negotiate with European nations along any lines aimed to bring order out of the economic chaos which exists, in any manner which might make use of the Allied indebtedness to accomplish the restoration of stabilized conditions. If the Debt Funding Commission is given full authority to act it will not mean that it is bound to do more than con-

sider how it can best serve the interests of the United States of America. On the other hand if, in carrying on such negotiations, a way is found to so better the unfortunate conditions which exist in Europe in such manner that it will increase our trade and prosperity far beyond what is now possible, it will be in position to act.

It can only be a source of embarrassment to a great nation like the United States to be obliged to hold itself aloof from even entering into consultation with the Governments of other nations as to what may be best for all concerned in connection with the question of the interallied indebtedness. No government in Europe can, in justice to itself, undertake agreements in regard to the payment of the Allied indebtedness which it knows cannot be carried out. Neither can such governments be expected to enter into any serious negotiations concerning such indebtedness with an impotent commission which is prevented by the very law under which it is created from effectively carrying out its mission.

Efficiency is not secured in any government by "ham stringing" its representatives with unnecessary limitations and it is not conceivable that the people of the United States are so fearful of their representatives that they are not willing to extend to them the authority to carry on intelligent negotiations with the proper representatives of other countries. Such "ham stringing," if carried out in every governmental department, would represent nothing but democracy gone mad and become impotent and useless. If the strong men who represent the United States today in the Debt Funding Commission cannot be trusted with full powers to negotiate in the interests of this country in connection with the Allied indebtedness, then our form of government must be accepted as being a failure.

From conference, held with representatives of many nations, including those from government, finance and industry, since my arrival in Europe, it is my firm conviction that our Debt Funding Commission, with full power to negotiate, would have before it an opportunity for constructive work that would benefit the United States, Europe and the whole world that does not exist today and never can take place while honorable and able men are bound by the impossible. It is because I am convinced of the great desirability, from every point of view, as a citizen of the United States, of having the recommendation covered in the Resolutions of the Convention of the American Bankers Association of 1922 given a continuing

force that will be felt by all of our people to such an extent that Congress will feel compelled to take action, that I again urge this matter upon the Executive Council.

It is my hope that that Executive Council may see fit to take positive action in this matter.

### Recent Decisions

A contract was entered into for the sale of real estate at the agreed price of \$1,100.00. The terms provided for a cash payment, and in regard to the remainder of the purchase price the following provision was made part of the contract: "Then the balance on or before ten years from date, interest 6 per cent. per annum, first year without interest."

The question was raised whether or not the interest could be collected at the end of each year. The court construed this clause to mean that the balance of the purchase price was to be paid on or before ten years from the date of the contract, except that there was to be no interest for the first year, the whole amount of interest to be payable with the principal at the end of the term. In the absence of a clause making interest payable annually, interest at a given rate per annum is payable at the same time the principal becomes due and not before. *Golos v. Worzalla et al.*, 190 N. W. 114.

A lumber company deposited with its bank, the First National Bank of Denver, several checks payable to the company and drawn on the State Bank of Ordway, Colorado. The Denver Bank in the usual course of business deposited them with the Federal Reserve Bank of Kansas City for collection, and the latter in turn forwarded them direct to the drawee for payment. The drawee's draft in payment thereof was forwarded, but before this draft was collected, the Ordway Bank failed, and the draft was unpaid. The Lumber Company assigned its interest in the checks to the Denver Bank which in turn brought suit against the Federal Reserve Bank. It was held that, according to the rule of the Federal Courts and the courts of Colorado, the Lumber Company has no right of action against the defendants. The defendant was selected by the Denver Bank as a subagent to make the collection, and since the assignor has no right of action, its assignee can be in no better position. *First Nat. Bk. of Denver v. Fed. Res. Bk. of Kansas City*, 283 Fed. 700.

# "Cheap Money and Lots of It"

The Slogan of the Farm Labor Union of America Which Is Attracting Attention in the Southwest. Like the Non-Partisan Movement in North Dakota. Rated as Non-Political It Nevertheless has a Political Platform. Members Forbidden To Accept Advice

HERE is a lot of talk in Texas and in other sections of the Cotton Belt over the Farm Labor Union of America, an organization suggestive of the Non-Partisan League which brought widespread ruin in North Dakota. The organization which was formed in the fall of 1920 is described as non-political but its by-laws state that it "shall be friendly from time to time with political bodies that are friendly with it." Its official newspaper, the *Farm-Labor Union News* explains this apparent contradiction by saying:

"The Farm Labor Union of America, it must be understood, does not take up political questions inside of its local, state or national meetings, for these are business meetings. But it does send representatives to take part in county, state and national political meetings, in which representatives of friendly labor and farmer organizations, also take part.

"Already in the states of Oklahoma and Texas, Farm Labor Union representatives have aided in forming farmer-labor political compacts. In Oklahoma it has already resulted in the election of farmer-labor governor and state legislature. In Texas in 1922 the Farm-Labor Political Conference candidate for governor polled 207,000 votes and quite a number of senators and representatives favorable to the Conference were elected. In Texas we did this with a three-month-old organization, and there is no doubt now that the reorganized conference will sweep the state in 1924."

## The Platform

Anon the official organ says:

"The following platform of the Farm Labor Political Conference of Texas will give a good idea of the kind of legislation the Farm Labor Union of America is fighting for in all states where it is organizing:

"1. Taxing undeveloped lands at least as high as developed lands of the same class; exempting farm and city homestead improvements from taxation.

"2. State-owned bank with state rural credits.

"3. Co-operative ownership where practical and public ownership where necessary of the means of transportation, manufacture and distribution of all farm products.

"4. State warehouse and marketing laws, with inspection by state depart-

ment of agriculture of grades, weights, and dockage of cotton, grain and other farm products.

"5. Initiative, referendum and recall; repeal of poll tax qualification.

"6. Reforming the common school system; making an independent school district of each county, though with local self-government.

"7. Opposing any attempt to set aside free speech, free press and peaceable assemblage.

"8. Increased inheritance and income taxes in an ascending scale.

"9. Opposing the use of military forces and private gunmen in industry."

## Taxation Eccentricity

The first plank of the platform is suggestive of injustice in the name of justice. Undeveloped lands are like men without jobs. They do not produce anything, they have not the power to produce without development, consequently their market value cannot be the same as developed lands, yet the organization favors arbitrarily giving them for taxation purposes a value they do not possess, and by the same stroke, also for taxation purposes in effect assuming that farm and city homesteads have no improvements. Public attention has lately been turned to tax exempt securities on the suggestion that exemption of securities from taxation had now become a doubtful public policy but here is a tax exemption and tax imposition policy full of possibilities. The man who owns 1,000 acres of swamp land with practically no value in its present condition but which might be improved with an investment of from \$250 to \$500 per acre, if he had the initiative and the credit resources to undertake such an enterprise, may well wonder whether this new scheme of taxation is to penalize him for his poverty, his lack of vision or because he lives in a community where investors want safer investments.

State owned banks; co-operative ownership and state warehouses were prominent foreground figures

in the mirage that North Dakota farmers enthusiastically followed to their ruin.

In the same issue from which the foregoing quotations have been made the president of the organization explains, piece by piece, the sections of the Constitution and By-laws. Anyone over 18 years of age working as a farm laborer or producer may become a member. Many bankers are farmers and farm owners but bankers are not eligible to membership for the following reason:

"Bankers belonging to Bankers' Associations, merchants belonging to Merchants' Associations or ginners belonging to Ginners' Associations, though they be farmers are not eligible to become members of the Farm Labor Union of America for the simple reason that we could not discriminate and give one banker, merchant or ginner the right to belong and bar others. If we did, we would violate the principles of the organization were we to say equal rights to all and special privileges to none."

## Lure of Cheap Money

One of the most remarkable features of the constitution of the union is that in which it rejects in advance any advice which might be offered to members. One section reads:

"The membership of this body shall not give heed to any advice, threat or abuse from any opposer of the Farm Labor Union of America; but on the other hand, they shall obligate themselves to report the offense to the body of the Farm Labor Union of America and expose the name of the enemy and reveal the nature of advice, threat or abuse."

Comes now the lure of cheap money and long credit.

The president of the organization in a statement in its official paper refers to the action of the American Bankers Association at its last convention in adopting a resolution endorsing President Harding's veto of the bonus bill and continues:

"At the same time the bankers passed



a resolution that this government make Europe a present of the ten billion dollars she had loaned Europe. The reason for this was that the big bankers had loaned Europe billions of dollars that remain unpaid; but if this government would donate Europe the ten billion dollars, this would enable Europe to pay our bankers."

As a matter of fact the American

Bankers Association did not, as bankers know, adopt such a resolution.

But the most significant of all the positive statements President Fitzwater of the Farm Labor Union makes is this:

"The Farm Labor Union stands for cheap money and plenty of it and high

labor regardless of what the farm labor costs."

Cheap money and plenty of it is to many people a catchy slogan but money is not wealth in Texas any more than it is in Russia and no matter how many times the present supply of money is multiplied the amount of wealth remains the same.

## Report of the Committee of Five

AT the annual meeting of the American Bankers Association in New York in October, 1922, the State Bank Section of the American Bankers Association approved the recommendations of the Committee of Seven on Exchange, to have the McFadden Bill amended in order that exchange on checks be made optional with the remitting bank. The Committee reports that Congressman McFadden accepted this suggestion of the Committee, and introduced a bill accordingly. Due to the fact that there was very important legislation pending, your Committee did not have the opportunity to urge the passing of this bill before the Banking Committee of the House, but proposes to do so as soon as Congress meets.

At the time of the meeting of the American Bankers Association held in New York, the case of the Farmers and Merchants Bank of Catlettsburg, Kentucky, *versus* the Federal Reserve Bank of Cleveland, better known as the "Kentucky Case" had not been decided. This case, however, has been passed upon and against the Federal Reserve Bank of Cleveland. It is a very sweeping decision and one which condemns in no uncertain terms the methods of the Federal Reserve Bank. This decision was very gratifying, for the reason that just as in all bitter contests your Committee was forced to make certain representations which apparently were a reflection on our Federal Reserve System. This was very distasteful. No one appreciates more than the members of your Committee the importance and value of a sound Federal Reserve System under the proper administration. This very clear decision, and that against the San Francisco bank should make evident to the bankers the fact that your Committee was, at least, very careful of what it said, and had the evidence to justify its conclusions. Neither the Kentucky nor the San Francisco cases, which were lost by the Federal Reserve, have been appealed. The Atlanta case, which was decided substantially in favor of the Federal Reserve Bank, has been appealed to the Supreme Court of the United States by the Federal Reserve Bank of Atlanta. The North Carolina

case, which was decided against the Federal Reserve Bank of Richmond in the Lower Court was reversed by the Supreme Court of North Carolina. Both of these appeals are to be argued before the Supreme Court of the United States April 23, of this year.

The most important points to be passed upon by that court are:

First, the constitutionality of the section of the Federal Reserve Bank, which reads "But no charge shall be made against the Federal Reserve Banks." It having been decided in nearly all of the cases that remitting of checks was a service, this section would compel banks to perform a service without due compensation. The Supreme Court of the United States has repeatedly decided in other cases that corporations could not be compelled to serve the public without a just and fair compensation, and we believe that they will adhere to the same doctrine in this case.

Second, admitting that this Section may be held constitutional by the Supreme Court, your Committee maintains that the remitting bank is not making a charge to the Federal Reserve Bank, and is not violating the words "But no charge shall be made against the Federal Reserve Bank," for the reason that every Federal Reserve Bank advises each member bank that they only act as agents for said bank, and therefore, it is plain that a charge made through an agent on behalf of his principal is not a charge against the agent himself.

We believe that both of these points are well taken, and hope that the Supreme Court will make plain the interpretation called for. Your Committee, however, has always realized that litigation could not settle the question at issue for the reason that there is no way that Congress can legislate for the state banks. Under our form of government, each state is absolutely sovereign so that should the Supreme Court decide entirely and absolutely in favor of the Federal Reserve Banks in the points brought before them, it would still leave the states with the right to allow their banks to charge. On the other hand, should the Federal Reserve Banks lose their case, it might make the task of your Committee very difficult in arriving at a fair compromise between those

who believe that banks should charge for remitting of checks, and those who do not. While uncertainty existed was the time for the banks and Federal Reserve Board to suggest and agree on a plan of compromise. Every effort to treat this subject practically and intelligently has been frowned upon by the Federal Reserve Board at Washington, and therefore, your Committee, in its honest attempt to arrive at an economically sound solution of this entire subject, was forced to resort to the courts for judicial interpretation of the meaning of the sections of the Federal Reserve Act in affecting the matter of exchange.

There the matter rests for the moment, and the future activities of your Committee will be decided by the answer of the Supreme Court to the question now before it.

Mr. Newcomer: If the adoption and filing of that report has no further effect than placing it in the record, of course, there is no objection to it. If the approval of it means putting this Association on record as not favoring par collections I should be sorry to see it adopted. That Committee, as I understand it is not a Committee looking into the merits and demerits, trying to determine what is best but a Committee continuing a fight against par collections. I don't believe Federal Reserve Banks have ever rendered a greater service to the banks of this country than getting the par collections in, facilitating prompt collection of checks and doing away with needless expenses.

He refers there to the Kentucky Case, so-called Kentucky Case, and I believe I am about as indignant over the methods used as anyone. I would join heartily in a resolution to condemn such methods used by Reserve Banks. I have not been able to find Reserve Banks resorted to any such things as that and I don't think that the condemning of their methods in any way need be connected with the condemnation of par collections. I don't know just what the result of acceptance of this report means. If it means an attempt to do away with par collections I should be forced to vote against it.

The report was received and filed but without indorsement.



# Bank Legislation in All States

By CRAIG B. HAZLEWOOD

Chairman Committee on State Legislation

**A**CTING in co-operation with the State Legislative Council and through State Organizations of bankers, the main work of your Committee during the past six months has been in the promotion of uniform and adequate legislation in different states relating to many subjects of banking and designed to improve general conditions.

An ambitious Program of State Legislation covering twenty-three subjects recommended by the Association was prepared in the office of the General Counsel and used as a basis for promoting the recommended bills in the 43 states and other jurisdictions holding regular legislative sessions during 1923. Many of the State Legislatures are still in session but some have adjourned.

## Association Measures Passed

A summary of reports so far as received shows that measures recommended by the American Bankers Association have been passed this year, in twenty-five instances the detail of which we beg to present:

**Arkansas**—In Arkansas the Uniform Stock Transfer Act has been passed.

**District of Columbia**—In the District of Columbia Congress passed the Association measure punishing the issuing of checks without sufficient funds in modified form.

**Indiana**—Andrew Smith, Secretary of the Indiana Bankers Association reports that two laws, the Uniform Stock Transfer Act and Deposits in Two Names, recommended by the American Bankers Association were passed by the Indiana Legislature this year.

**Maine**—R. S. Hichborn advises the passage of five Association measures by the Maine Legislature. On 90 day limit on stop payments; payment of stale checks; nonpayment of check through error; forwarding direct to payor; adverse claim to bank deposit; Saturday afternoon Bank Transactions. The Legislature of Maine also amended its Joint Account Act.

**Montana**—A. T. Hibbard, Secretary of the Montana Bankers Association reports that the Montana Legislature passed the recommended law that will permit a bank to refuse payment of a check when same is dated more than one year before its presentation; this was approved March 7, 1923. The bill to fix a 90 day limit to stop payment orders was also passed but was vetoed by Governor Dixon because in his opinion a law of this kind would lead to confusion. Mr. Hibbard writes: "We feel that the program of State Legislation submitted through your office can be of great service for the bankers throughout the country. We attempted to do as

much as we thought practical at this session and we shall hope at each succeeding session to follow up with a few additional bills in order to accomplish the enactment of these uniform statutes at as early a date as possible."

**Nevada**—L. S. Reese, Secretary of the Nevada Bankers Association reports that the Uniform Bills of Lading Act, Uniform Fiduciary Act, False Statements for Credit, recommended by the American Bankers Association, were passed by the Nevada Legislature this year.

**New Mexico**—R. L. Ormsbee, Secretary of the New Mexico Bankers Association reports that the following measures recommended by the American Bankers Association were passed by the New Mexico Bankers Association this year: An act relative to payment of deposits in trust; an act to limit the liability of a bank for non-payment of a check through error; Uniform Fiduciaries Act; an act amending the former law and making slander or libel of a bank a felony instead of a misdemeanor; an act fixing the liability of a bank to its depositors for payment of forged or raised checks; (the bill regarding payment of deposits in two names failed to pass.)

**North Carolina**—Alan T. Bowler, Secretary of the North Carolina Bankers Association reports that they secured the passage by the Legislature of the Uniform Fiduciaries Act recommended by the American Bankers Association.

**Oklahoma**—F. J. Wikoff, reports the passage of a modified bad check law.

**Vermont**—George H. V. Allen reports that the Vermont Legislature this year has passed Association measures relative to stale checks and the Saturday afternoon bank transactions. It also has passed a modification of the Joint Account Act of that state.

**Washington**—William Hatch Davis, Secretary and General Counsel of the Washington Bankers Association advised that the Legislature passed the recommended bill permitting a bank to refuse payment of a check presented more than one year after date of issue. The Legislature also passed the recommended bill placing a time limit upon stop payment orders but it materially changes its form. The act as passed provides that a stop payment order shall be confirmed in writing within fifteen days and shall be effective for six months from its delivery and thereafter until the bank shall have given ten days notice in writing of the expiration of such period mailed to the last known address of the depositor. Stop payment orders may be renewed from time to time but such renewals must be in writing and are effective for

not more than six months from date of delivery.

**Wyoming**—Sumner Miller, member of the Executive Council and Harry B. Henderson, Secretary of the Wyoming Bankers Association both report that the act recommended by the American Bankers Association relative to sending items direct to payor has been passed by the Wyoming Legislature this year.

From information thus far received 25 Association measures have been passed this year in the different states as follows:

	States
Uniform Fiduciaries Act	3
Uniform Stock Transfer Act	2
Uniform Bills of Lading Act	1
Time Limit on Stop Payments	2
One year stale check limit	4
Payment of forged or raised checks	1
Deposits in Two Names	1
(also two modifications)	
Deposits in Trust	1
Nonpayment of Check through Error	2
Forwarding Direct to Payor	2
False Statements for Credit	1
Checks or Drafts without Funds	2
Saturday Afternoon Bank Transaction	2
Adverse Claim to Bank Deposit	1
	<hr/> 25

The number of enactments will doubtless be found much larger when complete information is received.

## Other Legislation

Reports thus far received as to legislation, other than Association measures affecting banks in the various states are as follow:—

**Arkansas**—R. E. Wait, Secretary of the Arkansas Bankers Association advises that the Legislature passed a general bill making a number of amendments to the Banking Act. Copy of the bill as finally passed, was not available at the time of writing.

**District of Columbia**—F. G. Addison, Jr., Secretary of the District of Columbia Bankers Association reports that Congress in addition to the bad check law, enacted another very important piece of legislation which affects the banks in the District of Columbia in that all new banking institutions and all branch banks are compelled to make direct application to the Comptroller of the Currency for permission to do business in the District.

**Kansas**—W. W. Bowman, Secretary of the Kansas Bankers Association, advises that bills were passed in Kansas regulating additional assessments and defining more clearly the class of obligations covered by the guaranty fund and a few other details; putting into effect the 25 million dollar Soldier Bonus; protecting the holder of state and municipal bonds by permitting registry so as to become assign-

able only on the books of the State Treasurer requiring notes given for capital stock of corporations to be so stamped and making them nonnegotiable; repealing that portion of the Negotiable Instruments Act which requires instruments falling due on Saturday to be presented the next succeeding business day except demand paper which may be presented before noon of that day. Saturday is not a half-holiday in Kansas and Saturday afternoon is the busiest time of the week.

Minnesota—G. H. Richards, Secretary of the Minnesota Bankers Association advises that the Association was successful in defeating the enactment of a Guaranty of Deposit Law. A bill granting trust powers to state banks, similar to those enjoyed by national banks has passed the Senate and is expected to pass the House. The same is true of a bill for increased capital requirements. A bill has also become a law denying to state banks and trust companies the privilege of maintaining branches or additional offices. A bill has also been passed which validates the taxes assessed and collected upon the shares of stock of national banks.

Michigan—V. T. Baker, Member of State Legislative Council, reports that a law has been passed by the Michigan Legislature placing private banks under state supervision. The Legislature has not yet adjourned.

Montana—A. T. Hibbard, Secretary of the Montana Bankers Association reports banking legislation passed this year as follows:—

A bill introduced at the request of the Superintendent of Banks, amending the Banking Law by particularly defining insolvency, providing for the assessment of bank stock, for the consolidation of banks and for taxation of banks which have ceased to do business as banks.

A bill providing that the increase of live stock and wool should be held under a chattel mortgage from year to year during the life of the mortgage.

A bill amending the Negotiable Instruments Act by adding a provision that an instrument otherwise negotiable in character is not rendered nonnegotiable by the security of a real or chattel mortgage.

A bill providing that advances under the additional advance clause in a chattel mortgage shall be junior in lien to the original note or notes described in the mortgage and making the original indebtedness together with the additional advances good as against other mortgages and intervening liens.

A bill to conform the state to the national law providing for three instead of five calls for reports of condition on days simultaneous with calls of the Comptroller of the Currency.

Among the bills that did not pass, were bills providing Guaranty of Deposits; creating a laborer's lien on the products of their labor ahead of all contracts, mortgages and other liens; prohibiting all crop mortgages except to secure purchase price of seed or rental on land; bills reducing the rate of in-

terest to 8 per cent. and 9 per cent. respectively.

Nebraska—J. E. Hart of the Bureau of Banking advises that the only important piece of bank legislation enacted at the recent session of the Legislature was House Roll No. 272 known as the Bankers Bill. This bill amends the guaranty law and contains other amendments to the banking law. The bill was favored by the Legislative Committee of the Nebraska Bankers Association. We are indebted to W. B. Hughes, Secretary of the Nebraska Bankers Association, for similar information. Instead of wasteful receiverships, a guaranty fund commission has been created and by means of a separate conservation fund, contributed by the state bankers, the latter will take charge of closed banks and operate them as going concerns to avoid turning them into court receiverships.

New Hampshire—Harry L. Additon, Secretary of the New Hampshire Bankers Association advises the passage of a bill taxing the stock of national banks 1 per cent. on the par value after deducting real estate and repealing Chapter 113 of the laws of 1885 providing how bank stock should be taxed.

New Mexico—R. L. Ormsbee, Secretary of the New Mexico Bankers Association advises the passage of bills upon the following subjects:—

Conditional Sales Contracts.

Description of Cattle in chattel mortgages.

Exempting from the taxable value of bank stock 50 per cent. of surplus.

Providing for the registration of securities deposited with the State Treasurer by surety companies and fire insurance companies.

Providing for the recordation of mortgages by migratory chattels with the Secretary of the state.

An act recommended by the State Bank Examiner containing several important changes in the former Banking Law.

North Carolina—In North Carolina a new law has been passed changing the method of handling state funds. Under the old law the several departments deposited state funds under their official names and generally turned them over to the State Treasurer after a lapse of thirty days or upon the tenth of the month following collection. In the past, the Treasurer has had to borrow money for one fund when there were substantial balances in other funds which had not been turned over to him. The new law eliminates this necessity. It provides that all banks holding state deposits shall in their published statements show the amount on deposit to the credit of the state or of any official and prohibits the deposit of state money in any bank refusing to comply. It further provides that all moneys collected by any state department or institution shall be deposited with or to the credit of the State Treasurer as and when directed by the Governor and Council of State.

The Legislature had rewritten the Industrial Bank Act of 1919 and provided

a new law which differs from the old in more clearly defining what are industrial banks, providing for their examination and supervision, changing the minimum capital requirements, extending to two years the duration of loans based upon real estate collateral and permitting branches anywhere within the state.

The legislature also made several changes in the state banking laws. The minimum number of calls for reports of condition has been changed from 4 to 3 to conform to the recent change in the national law. The Corporation Commission has been given authority to prescribe the form of reports of trust, surety, fiduciary and guaranty business handled by every person, firm, corporation or partnership doing a banking business or a banking business in connection with any other business.

The Negotiable Instruments Act has been amended by adding the following provision:—

"An instrument is payable at a determinable future time, within the meaning of this Chapter, notwithstanding the fact that it contains a provision waiving notice of protest, notice of dishonor, and an agreement to be bound notwithstanding any extension of time which may be granted. Or if collaterals have been deposited as security for the payment thereof and the instrument contains a provision that if the value of the securities so deposited has so decreased or declined so as to render the holder insecure, the holder may require the maker to deposit other and further collaterals to secure the same and upon failure to comply with such demand, to declare the instrument due at once. An instrument payable upon a contingency is not negotiable and the happening of the event does not cure the defect, but an instrument payable at a determinable future time is negotiable, even though it may mature or be declared due upon a contingency happening before such future time."

North Carolina has passed a further law making it a felony to damage persons or buildings in use for residential or business purposes by use of nitroglycerin, dynamite, gunpowder, or other high explosive with a penalty of imprisonment for not less than ten nor more than thirty years.

A law has been passed clarifying the regulations for cancellation of mortgages and deeds of trust.

The Blue Sky Law has been amended to broaden the definition of the word "securities" as used in the old law, to limit the Commission in the sale of stock to 12½ per cent., to require the payment to the Insurance Commissioner of a tax of 2 per cent. of the gross sales and to require the filing of quarterly reports of business done.

A further law has been passed to facilitate the examination of titles and create a presumption of payment of instruments securing the payment of money after fifteen years from the date of maturity of the debts secured thereby.

Oklahoma—Eugene P. Gum, Secretary of the Oklahoma Bankers Association advises that the legislature has passed a bad check law punishing the person who obtains money or property upon a false or bogus check including checks drawn against insufficient funds. This differs in several respects from the measure recommended by the American Bankers Association.

South Dakota—H. R. Kibbee, President of the Commercial Trust and Savings Bank of Bristol, advises that the following laws of interest to banks were passed at the recent session of the South Dakota Legislature:—

H. B. 57—Penalizing active bank officers attesting to false statements.

H. B. 146—Providing that proceeds of life insurance up to \$5,000 is not subject to payment of debt of surviving spouse or children.

H. B. 153—Providing for assessment of surplus and undivided profits of banks as moneys and credits. (Effective March 15, 1923)

H. B. 155—Permitting bank loans to corporations where its stockholders are shareholders.

H. B. 198—Permitting National Banks designated as Depository of State Banks to furnish Government bonds in lieu of surety bonds.

S. B. 2—Repealing Mortgage Registration Tax (Emergency Clause attached).

S. B. 12—Fixing procedure relating to tax certificates.

S. B. 16—Making notes given for corporations stock nonnegotiable.

S. B. 43—Making seven per cent. legal interest and above ten per cent. usury.

S. B. 52—Five-sixths jury verdict in Civil Court.

S. B. 59—Restricting Emergency Warrant Issues and creation of deficiencies.

S. B. 71—Providing for protection of purchasers at foreclosure sale during period of redemption.

S. B. 105—Authorizing unorganized counties to designate own Depositories and giving preference to those within counties.

S. B. 110—Making elevators in the state public warehouses under bond for all grain stored therein.

S. B. 138—Enabling act for organization of the South Dakota Wheat Growers Association for co-operative pooling of wheat.

S. B. 165—Requiring certified checks of bidders on public work in South Dakota to be on banks within the state.

S. B. 177—Making stockholders of co-operative corporations liable for the amount of their stock when provision is made by two-thirds vote of stockholders.

S. B. 255—Retail Merchants Association bad check law.

S. B. 325—Requiring three instead of five bank reports annually to the State Superintendent of Banks.

Tennessee—H. Grady Huddleston, Secretary of the Tennessee Bankers Association advises that the Legislature repealed the contract rate of interest law and it is now legal to charge only 6 per cent. by contract or otherwise. The Legislature also enacted an excise tax on the most earnings of corporations amounting to 3 per cent.

Texas—W. A. Philpott, Secretary of the Texas Bankers Association advises that there had been an entire rewriting of their bad depository law and the new bill proves for a rate-making board and maximum of 4 per cent. to be paid by state banks of Texas for state money.

A number of amendments to the state banking laws have also been approved by the Governor. Every one of these were put forward by the department of Insurance and Banking in conjunction with a committee of bankers. For this reason they experienced little opposition. Chief among these was the separation of the department of insurance from the department of banking with a commissioner over each. The commissioner's salary was raised, as also were the salaries of examiners and liquidating agents. The minimum capital stock of a state bank was raised from \$10,000 to \$17,500. The Commissioner was given power to control receiverships of de-

funct state banks. A state bank must give sixty days notice before it can convert into a national, notice to be given by publication, and several other minor amendments.

In addition to the above, according to further advices received from J. L. Chapman, Commissioner of Banking, laws have been passed in Texas as follows:

Prohibiting the establishment of private banks and placing those already established under the supervision of the Bank Department.

Permitting State Banks to advertise truthful statements as to the Guaranty Fund System or the Bond Security System and prohibiting untruthful advertising.

More clearly defining just what deposits in state banks are insured under the Guaranty Law.

Removing the protection of the Guaranty Fund from deposits in banks which have converted to another system of banking.

Prohibiting the investment of more than 50 per cent. of capital and surplus in banking house and more than 15 per cent. in furniture and fixtures without first obtaining permission of the State Banking Board.

Prohibiting Bank Officers from engaging in fraudulent or speculative business enterprises. Prohibiting banks from issuing non-interest-bearing certificates of deposit and removing the protection of the Guaranty Fund therefrom.

Utah—Advice from State Bank Commissioner Pixton is that laws have been passed as follows: An act amending Section 1201 compiled laws relating to the powers of loan, trust and guaranty associations; an act amending the banking law relative to the duties of the bank commissioner and adding new provisions relating to the duties of banking corporations with reference to the manner of keeping books and records, the making of loans to officers and directors, the holding of monthly meetings, the charging off of losses, the making of false entries on statements, providing when real estate may be purchased and held, prescribing certain powers and duties of the Bank Commissioner and requiring the attorney general to conduct prosecutions under this Act, and providing that no officer, director, employee or attorney of a member bank shall be beneficiary of or receive any fee, commission, gift, or other consideration in connection with any business of the bank. Also amending sections of the Banking Law relating to the liquidation of banks.

Washington—An effort was made this year to pass a compulsory deposit guaranty Law but it failed. The existing law passed in 1917 which provides a voluntary plan, has proved unsuccessful and the failure of the effort to pass a compulsory law indicates that the State of Washington virtually abandons the plan of guaranty of bank deposits.

We are indebted to J. C. Minshall, Deputy Supervisor of Banking for copies of laws passed by the Washington Legislature. House bill No. 155 presented by the Banking Department amends several sections of the Banking Law. The Supervisor is, for the first time, given discretionary power in the granting of charters. Other provisions eliminate the power of trust companies to invest in "stocks": clarify the law re-

garding the levying and collecting of assessments against stockholders and give the Banking Department the power to definitely wind up and liquidate insolvent banks.

Another entirely new act legalizes the small loan business and places industrial loan companies under the Banking Department.

A new law has been passed regulating the business of safe deposit companies and fixing the liability of such companies.

A further bill passed relating to checks and stop payments, contains the Association measures heretofore referred to.

Wyoming—Sumner Miller, member of our Executive Council, in addition to the Association measures passed relative to checks direct to payor, reports a synopsis of legislation enacted by the Wyoming Legislature as follows: A law permitting payment of taxes to be paid semi-annually.

A Farm Loan Act: loans not to exceed 60 per cent. of the value of the property or not over 90 per cent. of average assessed value for the past three years. Maximum loan \$15,000, minimum \$500; rate is 5 per cent. on the amortization plan.

A bill fixing the contract rate of interest at 10 per cent. and the legal rate at 7 per cent.

A bill relating to inspection of live stock.

Your committee would make the following recommendations for action by the Executive Council.

1. We recommend an amendment to the By-Laws which will add to the Committee on State Legislation as ex-officio members the respective Chairmen of the Committees on State Legislation of the four Divisions of the Association.

2. We recommend the promotion of legislation for the standardization of state bank departments to the end that such departments shall be distinct and independent departments of state government and not adjuncts of nor their chief officers subordinate to the heads, of other departments, and shall have sufficient inherent authority to enforce observance of the laws by existing institutions as well as to prohibit the issuance of charters where not needed.

Mr. Hazlewood: That is a provision, gentlemen, that may be needed in some states more than in others. It seemed to us wise and it was recommended by the State Banks Division. It is along the lines of efficiency, I believe.

I may say here that the Digest of State Banking Laws, which was commenced some two years ago, at the instance of this Committee, is now very nearly complete. So that we have in the offices of the Association and under the direct care of General Counsel, a digest of all state laws bearing on the general subject of banking. You can see that an immense amount of time and effort is thus saved, when any reference or any information is wanted as to laws in various states on any given subject.

There is one item that stands out and that is the repeal of the guarantee deposit law in Oklahoma. That was the



first and most prominent of these bank guarantee laws. The results of that law over a period may be summarized like this:

Warrant Debt Unpaid. \$2,000,000  
Owing to Depositors. 10,000,000  
Which is .....\$12,000,000 of debt

Let us see what they have on the other side. There are ragged assets of about

\$15,000,000 in the hands of the banking guard. There is a desultory effort, over fifteen years old, to collect. Mr. Wikoff's own estimate of the value of these assets is from nothing, in the case of some assets, to thirty or forty cents on the dollar.

You still see that the guarantee law in Oklahoma which has been used as the example for all legislatures, has been a ghastly failure. I do not know of

any lame duck case that any of us know anything about that has been as much so, and it seems to me that you in your contact with state legislatures in your own states, wherever this bank deposits guarantee bugaboo raises its head, you should be able to confute and confound the proponents by the mere example of the actual circumstances in Oklahoma. The bank guarantee ghost has been laid low.

## American Institute of Banking

By CARTER E. TALMAN

President of the Institute

IT is with a great deal of trepidation that I follow Mr. Faelicher in any remarks about the American Institute of Banking. You have already heard and will hear many interesting reports. I hope the one you are about to hear, however imperfectly presented, in its importance will have no less of your interest than the others. Indeed some there are who think that this is the most important work of the American Bankers Association because, while the other activities deal with things and policies and money, the American Institute of Banking deals with that beside which all other things pale into insignificance; namely the human being.

You know too much of the genius and inspiration of this organization to make it necessary for me to dwell upon them but I wish someone, sometime, would tell you the story of the Institute. It would be the most fascinating and romantic story connected with banking in America.

### The Cleveland Group

There are some here now who attended that first Convention in Cleveland in 1903. It was a small group calling themselves the American Institute of Bank Clerks. That was the first manifestation of this organization as a great national body. I wish that all of you twenty years after that could attend a reunion convention in the same city in the year 1923, because there will be at least 2,000 delegates present and it will be the representative body of the American Institute of Banking. Indeed there will be present men from all parts of the country holding high positions in their institutions. This is a most significant development of the American Institute of Banking. I would not be far wrong if I said that at present the percentage of bank officers active in the Institute to the total number of officers is greater than the percentage of those not holding official positions.

The Institute idea is just beginning to seize hold of the minds of the bankers of this country. During its past history it has been through a

period of preparation, its infancy, and all during that time it has had in the beginning a sort of nurse, in its later years a guide, a philosopher and friend in Uncle George Allen. I have no desire to give meaningless praise to one whom most of you know but I would like to go on record as saying that as that man approaches the years that are before him, he can look back with that supreme satisfaction and consciousness of having done with associates in the Institute a great work, a work which all men look upon and call good.

Thirty-three chapters have been organized this year. Many of them have not been propelled by the officials of the Institute but the officials have been compelled by men needing the Institute, to give them the advantage of its training.

The educational work is constantly being enlarged and improved. This year a course in credits, the best course in credits available, is ready for the use of the banks. Within a very few months there will be a course in investment banking and public speaking for which there has been a general demand.

There has been in the last few years greater participation on the part of senior bankers than at any other time in its history. Chapters, and the national organization, today are in a better co-ordination than ever before. Throughout the country from one end to the other there are more leading educators devoting their time, their experience and their talent to developing the Institute. All of these things give us and give you cause to be proud of the American Institute of Banking.

But to those who are responsible they offer rather a challenge for the future. The increasing activities have made increasing demands upon those elected to office. I sometimes wonder if the demands are not going to be a little too great for one who has his future before him. It has been necessary to hold a mid-year meeting of the Executive Council of the Institute and this year in St. Louis there was held a two-day session in which more real work was done in ten hours a day than I know of in any

two days of my whole experience.

These things are said not to convince you of the importance, but to interest you in the future of the organization. We are proud of the achievements of the past and we look confidently to the accomplishments of the future. Something has got to be done to reach the country banker more effectively.

### More Than an Organization

The American Institute of Banking is more than an organization. It is a kind of a spirit. It is a thing that lifts a man out of that killing level of mediocrity. It is not only a voice which tells him to hitch his wagon to a star but it is the star to which he may hitch his wagon. It takes the man in the bank and lifts him out of the deadening dullness of daily routine. This is an institution, my friends, which I hope not only meets with your approval for what has been done but which will command your active and intelligent participation in the things that are to come. I had almost forgotten to say, as we have not particularly been concerned with numbers, that the Institute at present has 52,863 members, 139 chapters, 7,000 correspondence students.

### More Power for Commissioners

A State banker in Washington writes as follows: "What strikes me as being one of the most necessary moves for the general good of the banking business is to give more power to the bank commissioners of the various states in which they are restricted too closely. Too many banks are chartered in localities already served by good institutions, with the result in the end that everybody suffers: the community first through unsafe competition which usually follows, and in a good many cases the depositors of the bank which cannot make good. If our bank commissioners had the power to turn down applications for charters for banks in localities where no more are needed I think we would have fewer failures among the country banks."





## TRUST COMPANY DIVISION



### Survey of the Division's Activities

**T**HE report to the Council of Theodore G. Smith, President of the Trust Company Division was presented by Evans Woollen. It included the following:

Instead of the number of problems which we are required to face, being on the decline we are confronted with a situation in many lines which calls for the utmost care in handling and the greatest amount of forbearance which time alone can correct.

#### Test Suit on Taxes

The operation of Section 226 (c) of the Federal Revenue Act of 1921, under which the estates of decedents are taxed on an annual basis, takes from these estates many millions of dollars annually in unjust taxation. At a meeting of the Executive Committee of the Division held on December 7, 1922, at which all phases of this subject were considered, it was decided to seek relief through an amendment to the law and also to conduct a test suit. A satisfactory termination of this matter will favorably affect the estate of any officer or member of the Council who may be so unfortunate as to pass from this life during the first few months of any calendar year while this law is in operation. The costs in connection with the suit are expected to be met from voluntary contributions from the members of the Trust Company Division.

#### Legislation Watched

Many oddities and monstrosities in the form of bills introduced in the various state legislatures directly and seriously affecting the business of trust companies have been carefully watched during the recent sessions of the state legislatures. This work is continuing during the sessions of the legislatures which have not as yet adjourned. The report of the committee handling this matter was the subject of long and faithful consideration by the Executive Committee at its meeting this week. Through the extension of inheritance taxation, it is now sought to distribute wealth rather than to raise revenue for governmental uses. This subject in its many ramifications is being given careful study by the Division and definite recommendations regarding the handling of this question will be presented at the convention in September.

The national campaign of publicity and advertising, so ably conducted during the past two years, is each month exerting a marked influence upon the thought of the public in directing them

to protect and conserve their real and personal property through the naming of a corporate fiduciary to handle their affairs after death and it is also stimulating the creation of voluntary or living trusts which are made during the life of the donor. No more valuable contribution could possibly be made than this work which is so far-reaching in its beneficial results.

#### Co-operation With the Bar

Co-operation with the legal profession in fact as well as in name is proceeding in a most satisfactory manner. The discussions regarding the encroachment of corporate fiduciaries upon the prerogatives of the legal profession, which loomed so formidably a year or two ago, are assuming a more normal condition. This is due in a very large measure to the vigilance and active attention given to the situations in all states and other concrete cases by the special committee having this matter in charge. Several bills directed against the so-called "practice of law" were introduced in state legislatures during the present year. None of these measures passed. One bill in Minnesota sought to make invalid any will not drawn by an attorney. The passage of such a measure would be against the public interest and, therefore, we do not believe that such bills will be enacted into law, although the most careful attention must be given each time they make their appearance.

#### Unification of Charges

The unification of charges made for trust services is being developed in a very satisfactory manner. The iniquitous practice of price-cutting and encouragement of "shopping" by customers is gradually being eliminated.

The great work started a few years ago by Mr. Goff of Cleveland and known as the Community Trust is also being developed along the most helpful lines in over fifty cities throughout the country.

#### Research Committee

Staff Relations or the development of personnel is receiving the constant attention of a special committee working upon this matter.

Through a recent investigation made by the special Committee on Research, many encouraging facts were revealed in regard to the beneficent results of the work of corporate fiduciaries. A detailed explanation of these matters

will be offered in the near future for publication and will, therefore, be made available to the Council and our membership generally.

#### Conference Proceedings

The proceedings of the Fourth Mid-Winter Conference have been published in a special booklet of 160 pages. Copies have been mailed to all active and associate members of the Division and others believed to be interested in the subject matter. Until the supply is exhausted copies may be obtained upon request.

#### Bank Gives Away Eggs

Down in Georgia the farmers are being told that the sum of \$22,000,000 is annually sent out of the state for poultry products and the sum of \$50,000,000 annually for dairy products, and that if the people of each county would produce a certain quota of dairy and poultry products all this money might be kept at home. In connection with that proposition the First National Bank of Lavonia, Ga. is advising the people of its community to fight the boll weevil with chickens. To properly initiate the fight the bank established a special extension department and made a novel proposition to the public. The bank will place a setting of pure-bred eggs on any farm where the occupants will undertake to take care of the chicks. No charge is made for the eggs but the bank will ask in return one pullet from the resulting flock; or if the farmer prefers he may pay for the eggs and keep the pullet. This novel bank extension work was placed in charge of a resident of Lavonia who had been successful in poultry raising. The plan of operation included a visit by the extension manager, accompanied by the local county farm demonstration agent and the county home demonstration agent, to twenty rural schools where the patrons were assembled and the plan explained. As soon as the plan was announced, however, farmers began to make applications for eggs without waiting for the scheduled meetings. About 1,000 to 1,200 settings of eggs will be distributed although the bank had originally intended to distribute but half of that number. Many farmers who applied for and received eggs on the bank's terms also asked the extension manager to purchase additional settings for them so that they can within a year eliminate all of their scrub flocks.



## SAVINGS BANK DIVISION



THE work of the Savings Bank Division has continued to develop along the lines which we have discussed at previous meetings. Samuel H. Beach of Rome, N. Y., President of the Division, made the following report:

It is difficult for me to adequately convey to you an idea of the quantity and variety of special inquiry which comes to this Division. Not only is the correspondence heavy but the collecting of information and familiarity with new publications requires a large amount of the Secretary's time, which is continually being broken in upon by callers, a large proportion of whom are not bankers but persons either seeking information on savings subjects or who have ideas which they wish to exploit. As might be expected many of these ideas are not as new as the visitors believe and many seek the easy road to fortune which would result from selling material to the Association especially if it could be induced to in turn distribute such material to member banks.

Along the last mentioned line are the numerous projects for either national or local campaigns, the distribution of thrift material to the public through the banks, selling printed matter to the banks for distribution to the public, production of moving pictures and indorsements of various organizations which seek to promote either public or private thrift, homeownership and some other entirely worthy ideals.

Further progress has been made during the present administration toward concentrating the efforts of the office on certain branches of our work as it is believed that the general progress will benefit thereby although special inquiries may not receive as detailed attention as formerly. This is on the theory that although we are a service bureau for the banking interests we should give attention to those matters which will benefit the greatest proportion of our members as well as the public.

I will mention a few matters of general interest:

First, Statistics. It has been customary to say that but one person in ten in America has a savings account. Even at this time the credit unions seek to expand their activities by obtaining legislation on the plea that savings bank facilities are inadequate because the report of the Comptroller of the Currency indicates that savings facilities may be too limited. But it is a fact that the Comptroller's report will sustain no such opinion except for those who arrive at conclusions without considering the underlying data. Last year The Savings Bank Division compiled a table on savings and time deposits which was based in part on the Comptroller's report and in part on direct

reports from the State Banking officials which revealed \$16,600,000,000 of savings and time deposits in the banks and a similar compilation now in progress for the year ending June 30, 1922, indicates an increase of about \$2,000,000,000. Statistics as to the number of savings accounts are much less complete than the amount of deposits and without estimating the number of accounts in non-reporting states, we are able to report officially that there are at least 30,000,000 savings accounts and that there are 40,000,000 savings depositors in continental United States.

Another tabulation which is widely quoted throughout the country is that on school savings deposits. These statistics have received great publicity and have resulted in nation-wide editorial comment. Furthermore, the stimulating effect upon both bankers and educators has been most notable. It has established school savings banking as an institution in place of a plaything.

The Division has assumed the leadership in this movement and compiled reports showing an annual increase of about 40 per cent. in deposits and expects that this year the total savings deposits by school children will amount to over \$7,000,000, and an aggregate of reported balances amounting to over \$15,000,000. The Division has just published a book on *School Savings Banking* in which are included complete details of the American Bankers Association method which is recommended to those bankers who wish to install and to operate their own systems. The book has been published for us by the Ronald Press, New York. That book represents two solid years of work by our Committee on School Savings Banking.

Our purpose in publishing this book is to enable those banks who want to know how to establish a school savings system to be able to obtain it in good specific form and relieve the headquarters office of the almost innumerable inquiries which are being received and cannot be answered individually with either satisfaction to the man who writes the letter, or the man who receives the letter. We think this book will prove to be of great value.

Industrial savings banking is believed to be of equal or greater importance to the public as well as more profitable to bankers than is the school work. It is expected that details as to the American Bankers Association Method and other results of an elaborate recent investigation will soon be available.

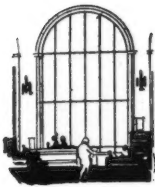
The discussion of the famous *100 Average Men* continues and we hope that eventually we will be able to prepare an assortment of statistical tables on matters pertaining to thrift and saving, as will more thoroughly satisfy ed-

ucators and speakers who appreciate the futility of the usual generalities.

The sale of fraudulent securities to small investors, the volume of investment funds and the general condition of prosperity with high wages and high prices, has brought the usual rising tide of highly, speculative and worthless securities. We have never had adequate means of handling that situation and we are hopeful that something will result from the amount of thought and effort on behalf of small investors which is being conferred by business interests even more than by savings bankers. The Investment Bankers Association of America has recently established a department for this work, the New York Stock Exchange underwrote the Better Business Bureau of New York to the extent of \$100,000 for its first year. The Better Business Bureaus of New York, Boston, Cleveland, Indianapolis, Kansas City and elsewhere are all active and vigilance committees are being established by many Chambers of Commerce. We are hopeful that some means may be found for materially improving the condition which now exists when the high-pressure salesman faces the inexperienced wage-earner.

Our most active participation along this line has been in connection with the distribution of material relating to the housing or 3 per cent. loan contract trusts which were condemned at our last convention and also at the 1922 conventions of the National Association of Supervisors of State Banks and the United States League of Local Building and Loan Associations. We have not only opposed with energy the legislation which was intended to legalize these concerns in the District of Columbia and in several states but have stimulated backing for proposed laws to prevent their operation. The two largest trusts of this kind have ceased operation because of what they refer to as the opposition of the banking interests.

The Postal Savings System continued to decrease in volume of deposits until February of this year and a slight reaction has been reported since that time. There seem to have been no developments of importance except that the Bureau officials continue to look with longing eyes toward the schools and industries. They have lately established an industrial savings system in one plant in Toledo and now have before the Postmaster General a plan for going into the schools. We maintain that the Post Office Department should not attempt to teach the children in our schools to look to the Government as a savings banker, and should it attempt to do so the accompanying printed matter would surely be the basis for more or less publicity and unthinking editorial comment along this line.



# NATIONAL BANK DIVISION



THE policy outlined for the National Bank Division at the last annual convention has been its constant guide through the forefront of the current year," said Waldo Newcomer in his report to the Council at the Spring Meeting. "While it has given careful attention to routine services so helpful to member banks, and so generally accepted by them, necessarily legislative matters have claimed much of its time.

"Primarily, we have endeavored to look out for matters relating solely to national banks and which, therefore, would not otherwise have attention, but have always borne in mind that we are a division of the American Bankers Association and do not desire to countenance anything to the injury of other banks, but to co-operate most heartily in any measures tending to the benefit of banking in general.

## Legislation

"A number of proposals pertinent to national banks alone, some of them undesirable and others deemed to be at least unnecessary, were made to Congress. Not all of them were considered seriously, however, and this the Division is pleased to report. It is not necessary to enumerate all of the bills presented, but it may be stated that no legislation affecting national banks alone, and prejudicial to them, was enacted. On the other hand, some things desired did not become law. The rush of legislation in the short session just closed prevented consideration of some meritorious bills to simplify certain practices now followed. These practices, however, are not unworkable, and when weighed against the possibilities of adverse legislation the results obtained seem to be fairly gratifying. The bill to make three the minimum number of Comptroller's calls to be issued annually was the only exclusively national bank matter approved.

"The Division was interested in a number of other bills, some of which became laws, but they affected all classes of banks and, therefore, they came within the range of the activities of the parent body. This must not be taken to mean that the Division did not give attention to these matters. Some of them were followed as closely as though no other banks were interested therein.

"The amendment to Section 5219 of the Revised Statutes is a case in point and deserves particular mention. It was primarily a national bank subject. However, when a maximum for taxation of national banks is fixed it is self-evident that no state will discriminate against

its own banks by taxing them at a higher rate and hence that section of the Federal law marks also the maximum of state bank taxation, and a special committee of the American Bankers Association was selected to see that fair treatment to which all banks are entitled, and which they must have if they are to perform their true functions, was accorded. This committee, which should be congratulated upon the excellent results obtained, was given not only the moral support, but also the active and constant co-operation of the National Bank Division. Co-operation with other divisions and sections of the Association, and with the parent body itself, is one of the guiding tenets steadfastly adhered to.

"Contact with the legislative body made it possible to keep member banks informed of amendments proposed and also of those acted upon and the judgment of officers and members was thus ascertainable for such use as was desirable. The advantage of this is obvious. Representations were made voluntarily upon some proposals and in other instances information concerning certain banking practices was requested. Needless to say the Division invariably went to the greatest lengths possible through its officers, committeemen and members, to furnish the facts and opinions desired, realizing that much of its usefulness to members lay in the maintenance of the proper relation with the law making body.

"One aim of the Division has been to carry to its members a knowledge of the instrumentalities designed for their use. That this has succeeded in a noteworthy degree is evidenced by the variety and volume of work performed. The Division has built up a service for member banks through which it represents them in their dealings with the various Government agencies. This embraces the presentation of requests and appeals and the prosecution of claims. Appearances are made before all departments. One important and growing feature is the adjustment of income tax assessments.

"Numerous questions concerning national bank operation have been raised by individual members and adjusted to the advantage of all banks through conferences with the proper officials. The permissibility of certain classes of loans, ownership of stock in safe deposit companies, the compilation of certain national bank figures usually withheld, rates of interest paid upon Government savings certificates, a clarification of the Department's position in the matter of assessments to restore impaired capital, distribution of semi-confidential figures on Treasury Depart-

ment fiscal operations, and information as to Government aid in the collection of items due banks from abroad, are a few random examples of the Division's work. Excellent co-operation was given by the Reserve Board and the Comptroller of the Currency.

"Various practices engaged in by some of the Federal Reserve Banks caused complaints to be lodged against them. Some of them were presented through the Association proper, and a special report thereupon has been presented to the Administrative Committee, while others came from members of the Division and were handled through its committee members in the various reserve districts and before the Reserve Board.

"An interesting and promising inquiry has just been inaugurated to ascertain the nature of the working relations existing among the several departments of National banks. These are more or less matters of judgment of the officers, and have been developed with a view to certain ends. However, the experiences of some members are always helpful guides to others and the Division expects to be able to suggest practices which will promote harmony and also make for better service to clients. To this end the several subcommittees are working.

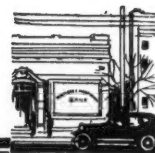
## Trust Departments

"It is with satisfaction that the growth of trust departments of national banks is noted. The Division's special committee has given assistance and encouragement to members inaugurating such departments and this has been an impetus to the movement generally. It transmitted to all of them the construction given to the statute directing that incomes of decedents for less than a year shall be placed on an annual basis. In several instances member banks have been put to litigation recently to maintain their right to operate such departments. Fortunately, this right has been upheld in the higher courts where such have been reached. The latest decision, from the Supreme Court of Pennsylvania, is that insofar as the state law is inconsistent with the Federal Act the former must yield to the latter. This holding means that just that many more institutions will be at work spreading the doctrine of the corporate fiduciary, that the public will just that much earlier come to a realization of the value of such services, and that there will be established in each community, many of which are not now served, an agency equipped to perform the trust work arising therein.





# STATE BANK DIVISION



## Supervision of State Banks

**T**HE meeting of the Executive Committee of the State Bank Division in connection with the Spring Meeting of the Council was devoted largely to the subjects of co-operative marketing of farm products, farm finance, the par collection of checks, the guarantee of bank deposits, and the standardization of state banking laws so as to make the banking departments in all states distinct from other departments and placed in charge of an official with some such title as "Bank Commissioner" or "Superintendent of Banks," empowered not only to supervise existing institutions but also to prohibit the issuance of charters in cities and towns where additional banking facilities are not needed or where the promoters are not of satisfactory character.

### President's Report

The most important work of the State Bank Division is described in the report of President H. A. McCauley to the Executive Council of the American Bankers Association:—

The State Bank Division thus far this year has centered its activities largely upon the subject of co-operative marketing of farm products. Such work has been done in conjunction with the Agricultural Commission of the American Bankers Association. For the purpose of obtaining information upon which to base logical deductions, a Questionnaire was sent to members of the State Bank Division including a majority of bank in rural communities, and also to secretaries of state bankers associations, supervisors of state banking departments, members of the American Farm Bureau Federation and a number of public officials. The consensus of replies to the Questionnaire seems to warrant the following fundamental conclusions:

(1) Co-operative marketing associations should be organized and conducted on the commodity basis and not on the regional basis. The regional basis tends to create competition among products and charges of discrimination on the part of the management, whether well founded or not, are apt to be made by producers of different commodities, thus creating discord detrimental to the spirit of co-operation.

(2) Co-operative marketing associations should have some system of grading products in order that any statement made by the association regarding quality and quantity may be accepted without question.

(3) Co-operative marketing associations should confine their activities to

orderly marketing as distinguished from dumping. There is some danger, however, in temptation to hold commodities for speculative purposes. Speculation in farm products is no more justified than speculation in anything else.

(4) Co-operative marketing associations should be organized and conducted as business concerns, and political and social entanglements should be avoided. Farming is the biggest business in the world and the production and distribution of farm commodities require the same efficient management as any other big business.

To sum up, the State Bank Division of the American Bankers Association is convinced that co-operative marketing, properly conducted, lessens the cost and confusion of transportation and distribution, and simplifies the problems involved in making loans on farm products. We desire to commend and encourage the work of the American Farm Bureau Federation and to offer our assistance in its program of developing home and community. Surely no work is more timely now than the education and encouragement of young people on farms and the effort to make farm life attractive as well as profitable.

The legislative program of the American Bankers Association has been so comprehensive and equitable for several years that the State Bank Division has had no occasion to exercise its constitutional right of independent action. Further legislation seems desirable, however, to secure the standardization of state banking departments. In general the supervision of state banks is as efficient as the supervision of national banks, but in a few states banking departments are adjuncts of other departments, in charge of some subordinate official. In the judgment of the State Bank Division the supervision of state banks should be made a distinct department of State government under an official with a proper title, such as "Bank Commissioner" or "Superintendent of Banks," who should be given sufficient authority not only to require proper conduct on the part of existing institutions, but likewise to prohibit the issuance of charters where additional banking facilities are not needed or where the promoters are not of satisfactory character.

The State Bank Division was among the first to suggest that the maturity of farm paper eligible to rediscount by Federal Reserve banks should be extended from six months to nine months and the Federal Reserve Act has been amended accordingly. The State Bank Division also recommended the continuance of the War Finance Corporation

until experience should show either that it was no longer necessary or that it should be converted into a permanent organization confined to agricultural credits. The new Rural Credits Act adopted by Congress limits the extension of the War Finance Corporation to April 1, 1924, and, instead of providing for the possible conversion of the War Finance Corporation into a permanent organization, provides for the establishment of Federal Intermediate Credit Banks in connection with the Federal Farm Loan System and National Agricultural Credit Corporations depending upon private enterprise. There is difference of opinion as to the necessity for such additional machinery, which only time and experience can determine." (Applause)

### Farm Finance

Chairman W. C. Gordon of the Division Committee on Farm Finance submitted a report covering the committee's meeting in Chicago in January, which report concluded with the following:—

After serious consideration of the bills mentioned and the situation existing in Congress relative to them, it was decided that the opinions of members of that body had already crystallized around the two proposals and that there was little likelihood of a chance to change them by suggestions from our Committee. It was therefore decided that the expensive trip of members of the Committee to Washington for a hearing before the Senate and House Committees was inadvisable, inasmuch as the favorable results to be obtained were exceedingly problematical and motives of the Committee might be misinterpreted. The Committee felt that, on the whole, the provisions of the Lenroot and Capper bills would afford considerable relief in the matter of rural credits and farm finance, though some features were deemed inadvisable and unworkable. It was the consensus of opinion that the War Finance Corporation should be continued for a longer time, because of the splendid assistance it had been to the farming interests. It is gratifying to note that in the legislation finally passed provision was made for a continuation of the Corporation for approximately another year.

Whether the legislation passed will prove effective in affording a proper basis for rural credits and farm financing, such as many think the industry of agriculture needs, is a question which only time and experience will solve. Steps have already been taken to make available the relief provided by the bills.



Since the meeting in Chicago, and in view of the passage of legislation by Congress which has made further discussion of rural credits and farm finance unnecessary, at least until the effects of the operation of the laws have been analyzed and determined, the committee has not functioned actively.

### Co-operative Farm Marketing

The Public Service Committee of the State Bank Division, of which Rudolf S. Hecht of New Orleans is Chairman, reported that its chief activity thus far had been the investigation of co-operative marketing of farm products. In order to obtain first-hand information regarding such enterprises, a Questionnaire was sent to all members of the State Bank Division, various organizations of farmers, secretaries of State bankers associations, and a number of public officials. The Questionnaire was so designed as to impart information as well as to obtain it, and the pamphlet containing questions to be answered also contained several important articles.

The first edition of the Questionnaire was 15,000 copies, but subsequent requests for the publication necessitated 10,000 more. The responses to the Questionnaire have not by any means been unanimous, but among those received are a large number that give specific information regarding co-operative associations in various parts of the country.

The Committee intends to continue its investigation of the subject of co-operative marketing and expects to be able to make a more comprehensive report at the Annual Meeting at Atlantic City in September.

### Federal Legislation

Chairman C. S. McCain of the Division Federal Legislative Committee submitted the following report, which was adopted:

The Federal Legislative Committee of the State Bank Division has done nothing more than co-operate with the Federal Legislative Committee of the American Bankers Association, since there has been no special legislation respecting state banks as opposed to national banks or trust companies. For this reason, there has been no occasion for legislative work on the part of this Division as opposed to the other Divisions of the Association; so that the best results have been obtained through joint effort on our part.

### State Legislation

C. B. Hazlewood, Chairman of the State Legislative Committee of the State Bank Division, who is likewise chairman of the State Legislative Committee of the American Bankers Association, reported that By-law VII of the Association had been amended so as to read as follows: "The Committee on State Legislation shall consist of twelve mem-



Dr. Glenn Levin Swiggett

Chairman of the Advisory Council and Committee of Fifteen on Educational Preparation for Foreign Service of the Bureau of Education, who states that the progress in the movement in the past nine years is important to the business world. More than 10,000 students last year carried subjects on foreign training, more than a third of whom are planning a foreign service career.

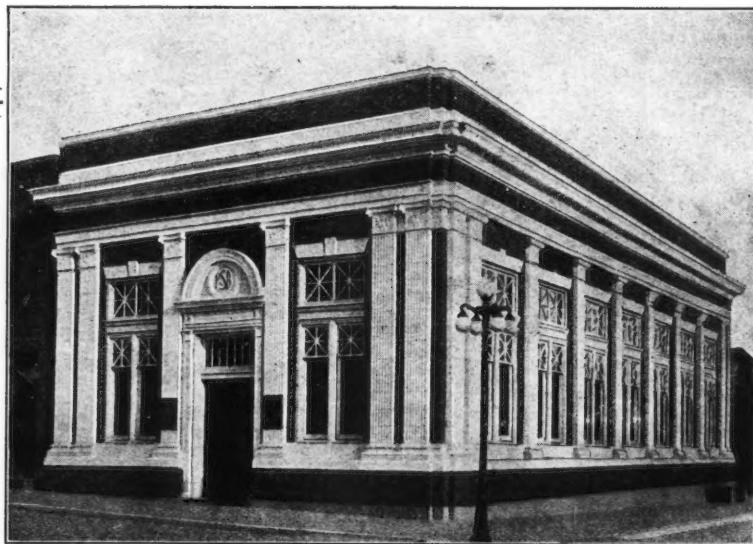
bers of the Executive Council, only one from the same state, also the Chairmen of the Committees on State Legislation of the four Divisions of the Association as ex-officio members, and shall have in charge the consideration of state statutes affecting the powers, privileges and duties of the members of the Association."

Mr. Hazlewood further reported that the American Bankers Association had adopted the recommendation of the State Bank Division in regard to the promotion of legislation for the standardization of state banking departments to the end that such departments shall be distinct and independent departments of state government and not adjuncts of nor their chief officers subordinate to the heads of, other departments, and

shall have sufficient inherent authority to enforce observance of the laws by existing institutions as well as to prohibit the issuance of charters where not needed.

### Par Collection of Checks

Chairman Charles de B. Claiborne of the State Bank Division Committee on Exchange reported that cases covering legal questions in controversy had been referred to the Supreme Court and their final decision was expected in the near future. Mr. Claiborne's report to the State Bank Division was substantially the same as his report to the Executive Council of the American Bankers Association and may be found in the proceedings of the Executive Council.



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Terra Cotta is so versatile a building material that it may be given any desired shape or color. It may be used either for entire facing or merely for trim and ornament. It fulfills the latter function in the case of the bank above, where it forms the fluted

pilasters, the lunette above the door with its P. S. B. monogram, the mouldings, and other trim.

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## Bank's Relations With the World

Speakers Suggestions by the Committee on Public Education  
American Bankers Association

**F**OREIGN Trade is the international exchange of goods, in our case, the selling of American products to the people of other countries, and the buying by Americans of the products of other lands. In this country we use a great many more things that come from other countries than most of us realize. Their use has become so common that we accept them without thinking of our part in foreign trade. The most familiar illustrations of this are tea and coffee and some of the sugar with which we sweeten them. Much of our tea comes from the Far East—from China and Japan. Santos, Brazil, ships more than ten million bags of coffee every year, eight millions of which come to the United States. A full bag weighs 137 pounds.

### Shoes and Telephones

Let us take two other simple and familiar illustrations, shoes and telephones. Most shoes are made chiefly of leather, but there are other materials in them with which you are not so familiar. You probably take it for granted that the shoes you wear are made wholly of American materials. Because they are made in this country, you naturally believe them better than any other shoes in the world, which is quite right. You will be surprised to learn of the variety of materials that go into your shoes, and the number of countries that supply these materials. We know that a great many cattle and horses are raised in this country, the hides of which are finally tanned and made into leather, and that much of this leather is used in the manufacture of shoes. But not all the leather for shoes manufactured in this country is made from the hides of cattle and horses raised here. Our shoemaking industry has grown so great that our tanners and leather makers are buying hides and skins in almost every country of the world.

### Less Than Half

Every good shoe has a sole made of heavy leather, called sole leather. The best sole leather comes from the hides of steers raised in the southwestern part of the United States, particularly in Texas, and also in the Argentine Republic. Less than half of the sole leather used by our shoe manufacturers is made of American hides. The hides which are bought in Argentina form a part of our foreign trade. The soles of your shoes may have been made from foreign-raised hides. You will thus see that foreign trade touches every man, woman, and child in the United States.



### CONDENSED STATEMENT

At the close of business, April 3, 1923

ASSETS	
Loans and Discounts	\$ 93,851,810.54
U. S. Bonds and Certificates	20,876,106.25
Other Bonds and Investments	7,491,274.84
Banking House	1,500,000.00
Customers' Liability Account of Acceptances	6,016,204.63
Cash, due from Banks and U. S. Treasurer.	32,553,314.94
Interest earned	383,239.33
	<b>\$162,671,950.53</b>
LIABILITIES	
Capital Stock	\$4,500,000.00
Surplus	13,500,000.00
Undivided Profits	2,938,828.66
Reserved; Taxes, etc.	719,581.02
	<b>\$21,658,409.68</b>
Unearned Interest	608,950.76
Circulation	350,016.50
Acceptances and Travelers' Checks	7,701,314.23
Due to Federal Reserve Bank	4,000,000.00
Other Liabilities	1,780,000.00
Deposits, viz.:	
Individuals	\$91,253,878.36
Banks	32,604,531.00
United States	2,714,850.00
	<b>126,573,259.36</b>
	<b>\$162,671,950.53</b>

Seeking New Business on Our Record

## THE CHEMICAL NATIONAL BANK OF NEW YORK

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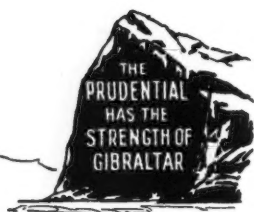
BROADWAY AND CHAMBERS, FACING CITY HALL

A study of a high-grade patent leather shoe, such as girls wear to parties, developed further interesting facts. The vamp of this shoe was made of horsehide from Russia. Some of you may be wearing Cordovan shoes. The vamp of these shoes is also usually made of

horsehide, which may come from almost any part of the world,—little coming from Russia now, because of the ruin of its foreign trade, and that is one of the big reasons for the terrible suffering of the Russian people.

While the Russian horsehide that

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made the vamp of the patent leather shoe was tanned in the United States, the chemical substance called bichromate of potash, used in the tanning, was produced chiefly in Germany. The soft top of the shoe was made of goatskin which was produced in India, in South America, or possibly in China. Since few goats are raised in the United States, we import many of the millions of goatskins used by our shoe makers. Then, we noticed that the shoe had an especially fine, soft tongue. This was made from the skin of the kangaroo, raised in Australia.

## Five Continents

Into that patent leather shoe have gone materials from Asia, Australia, South America, Europe, and the United States. Africa furnished the gums that went into the combination used in the brilliant black polish of the patent leather. That composition contained American lamp-black and turpentine, amber from the shores of the Baltic Sea, sandarac (resin) from Africa, divi-divi (a plant containing tannic acid) from Borneo, and tragacanth (a mucilaginous substance) from Persia.

A man's shoe has a broad, solid heel, usually made of leather from the tough hides of water buffalo, which are the chief beasts of burden in India, the Philippines, and other tropical countries of the Far East. The lifts, or layers, of such heels are fastened together with nails made from steel, in which manganese from Brazil or India is an essential part. Another nail used in shoemaking is made out of the soft, tough iron produced in Sweden, mined with machinery made in the United States.

The vamp of the patent leather shoe that we have been examining was sewed to the welt with linen thread. Before the war, the linen was made from flax grown in Russia and spun in Scotland. The welt was cemented to the edge of the sole with a composition in which rubber from either Brazil or the Malay Peninsula formed a part.

Most shoes have an inside lining. American cotton furnished the twill for the lining of the patent leather shoe. The products of half a dozen of our states were used in preparing it. One does not think of wheat as supplying an essential part of shoes, but the paste used by the shoemaker is made partly from wheat flour. The stitching silk came from China, and Chinese silk was used in weaving the label that carried the maker's name.

There was nothing unusual in the make-up of that shoe. Yet, it had in it materials from every continent on the globe, and from several of the countries of some of the continents, as well as something from many of our states.

The telephone also contains materials from every continent on the globe.

How many of you know what connection there is between an Eskimo Pie, and the export trade in player-pianos? There is a clear and close connection. It is this. Eskimo Pie, as you know, is a slab of ice cream covered with chocolate. Chocolate is made from cocoa. Ecua-



dor, in South America, is the chief producer of cocoa in the world. Just before Eskimo Pie appeared in the United States, Ecuador was having a great deal of trouble, because the market for cocoa was over-supplied. The price of cocoa was so low that the cocoa-raisers in Ecuador could not get enough money for their product to enable them to buy what they wanted. The Eskimo Pie supplied a new use for cocoa, and as it immediately became very popular, millions of Eskimo Pies were eaten in this country. As this increased the demand for cocoa, Ecuador was able to increase the sale of her chief product, and to get a better price for it. Consequently, her producers were able to resume buying the things they needed, or wanted, one of which was player-pianos. The invention of Eskimo Pie in the United States actually improved the export of American-made player-pianos to Ecuador. It improved other lines of export trade at the same time.

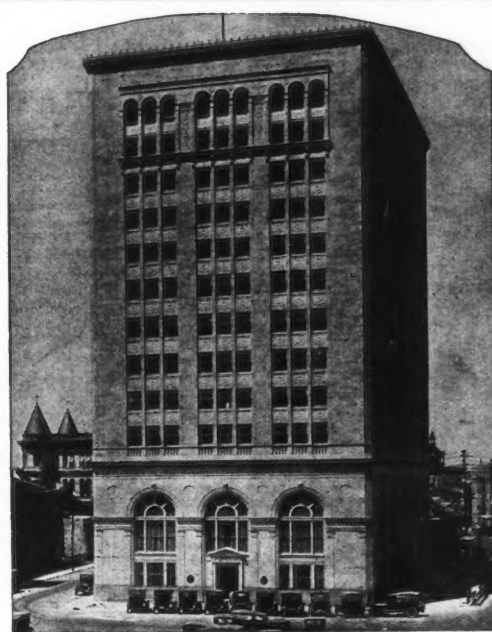
But there is another side to foreign trade. Since we need and want certain things that come from other countries, there are traders among us who give their time and attention to getting these things for us. They buy and import goods, so that every year they have a large bill to pay for thousands of articles that come from all corners of the globe, from the wilderness, from the desert, from icy barren wastes, from the depths of the sea, and from centers of population and civilization.

### Foreign Exchange

How do they pay these bills? In a very simple and easy way. They really settle their obligations by paying with the things produced in this country, which the people of other lands need and want. Just as we buy and use the things they produce, and which we do not produce, they buy and use things that we produce. Each country produces those things for which it has natural products, called raw materials, such as the tea and coffee; such as the cotton that forms so large a part of the production of our southern states; such as the rubber of Brazil and the Far East, and a long list of other things. Our imports are paid for, in part, by our exports.

When we say that people in distant lands pay with things produced in their country, we do not mean, of course, that the man in Alabama who produces the cotton which is sold in Spain, or in England, or in Japan, or in some other foreign country, actually gets his pay in the product of one of these countries. He does not have to take Japanese silk, or Spanish olive oil, or English cutlery, for his cotton. He is paid in money, American money, and is able to buy with American money, many things produced in other countries. Just so, the man, let us say, in England, who buys Alabama cotton pays for it in English money, and also sells his cutlery, which is exported to the United States, for English money, that is, pounds sterling, shillings, and pence.

Here is where the bank dealing in foreign exchange serves us. All these finan-



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cial transactions are conducted with the help of the foreign departments of banks, by bills of exchange or commercial letters of credit. Each producer, or trader, receives payment for his goods in the coin of his country, francs and centimes in France, marks and pfennigs in Germany, lira and centesimi, in Italy, and so forth. Even our smaller banks which have no foreign departments can help make all necessary arrangements for foreign payments of money, through their relations with the large city banks. These large banks, some of which have branches and agencies in all parts of the civilized world, receive advice every day as to the market value of our money in terms of the money of any other country. We call this valuation the rate of exchange. For example, your bank can know any day the exact number of French francs, or Italian lira, or any other currency which you can get for a dollar. If you wish to send \$5, let us say, to some one in Paris, all you have to do is go to the bank, and buy a draft. A foreign draft is a bank's order on its foreign correspondent "to pay." The banker will draw the draft upon a correspondent bank in Paris, perhaps the Credit Lyonnaise. He will look up the number of francs and centimes you can receive for \$5 that day, and fill out the draft which asks the Credit Lyonnaise to pay that number of francs and centimes to the person or company to whom you wish the money sent. Many people, who have relatives in foreign countries, send them money in this way. This is the way practically all money is sent abroad or is received from abroad. Imports to this country are paid for by foreign drafts drawn on banks in the countries from which we buy goods, just as exports are paid for by drafts drawn on banks in this country.

The late war brought home to us the lesson that no country in these modern times "liveth unto itself." In view of the billions of dollars of American wealth now invested in the bonds of

European, Asiatic, and South American countries, and the large amount of trade it is necessary for us to conduct with

these countries, you will see that we must have an intimate concern in all that enters into commerce between nations.

## Statement of Ownership

[STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACT OF CONGRESS OF AUGUST 24, 1912, OF THE JOURNAL AMERICAN BANKERS ASSOCIATION, PUBLISHED MONTHLY AT NEW YORK, N. Y., FOR APRIL 1, 1923.]

[State of New York, County of New York, ss. Before me, a notary in and for the State and county aforesaid, personally appeared James E. Clark, who, having been duly sworn according to law, deposes and says that he is the editor and business manager of the JOURNAL OF THE AMERICAN BANKERS ASSOCIATION and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation), etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, embodied in section 443, Postal Laws and Regulations, printed on the reverse of this form, to wit:

¶1. That the names and addresses of the publisher, editor, managing editor, and business managers are: Publisher, F. N. Shepherd, 5 Nassau Street, New York City, N. Y.; editor, James E. Clark, 5 Nassau Street, New York City, N. Y.; Managing editor none; business manager, James E. Clark, 5 Nassau Street, New York City, N. Y.

¶2. That the owners are: (Give names and addresses of individual owners, or, if a corporation, give its name and the names and addresses of stockholders owning or holding 1 per cent. or more of the total amount of stock): The American Bankers Association, 5 Nassau Street, New York City, N. Y. (A voluntary, unincorporated association of 21,939 banks; John H. Puelicher, Marshall & Ilsley Bank, Milwaukee, Wisconsin, President, and F. N. Shepherd, 5 Nassau Street, New York, N. Y., executive manager.)

¶3. That the known bondholders, mortgagees, and other security holders owning or holding 1 per cent. or more of total amount of bonds, mortgages, or other securities are: None.

¶4. That the two paragraphs next above, giving the names of the owners, stockholders and security holders, if any, contain not only the list of stockholders and security holders as they appear upon the books of the company but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner; and this affiant has no reason to believe that any other person, association, or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

¶5. That the average number of copies of each issue of this publication sold or distributed through the mails or otherwise, to paid subscribers during the six months preceding the date shown above is— (This information is required from daily publications only.)

JAMES E. CLARK,

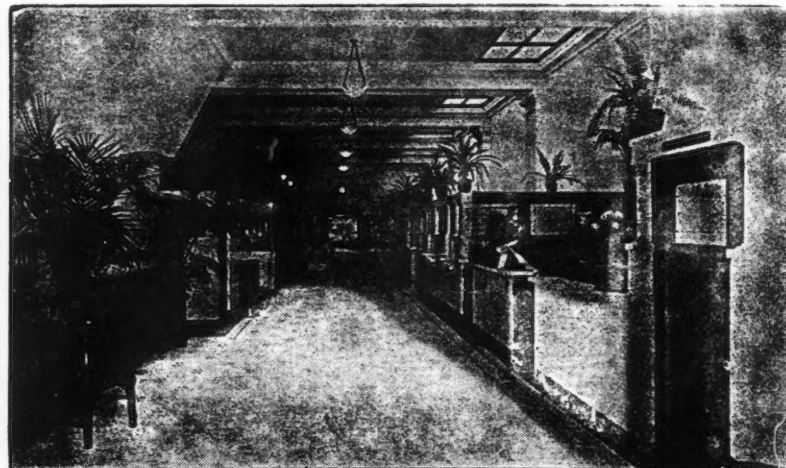
(Signature of editor, publisher, business manager, or owner.)

[Sworn to and subscribed before me this 9th day of March 1923.]

[MARION W. DE ROUVILLE, Notary Public, New York County, Bronx County Clerk's No. 23; Bronx County Register's No. 132, New York County Clerk's No. 272; New York County Register's No. 132. Certificate filed Westchester County Clerk; certificate filed Westchester County Register.]

[(Appointment expires March 30, 1924.)] [SEAL]

Present address of Journal, 110 East 42nd Street, New York.



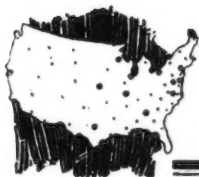
## FIXTURES FOR SALE

WE are erecting a new Banking Office and offer for sale these White Italian Marble and Mahogany Fixtures, which will be ready for delivery about August 1, 1923.

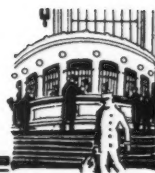
Address.—

PONTIAC COMMERCIAL  
& SAVINGS BANK

PONTIAC, MICHIGAN



## CLEARING HOUSE SECTION



**T**HE following report covering the activities of the Clearing House Section since the last convention, was made by President Ringold before the Spring Meeting of the Executive Council, Wednesday morning, April 26. Following the annual meeting of the Clearing House Section held in New York City, last fall, a meeting of the Executive Committee was held, at which time C. W. Allendoerfer, Member of the Executive Committee of the Section, Vice-president of the First National Bank, Kansas City, was elected Chairman. At this meeting it was suggested that every effort be put forth to interest as many cities as possible in the Clearing House idea, the Clearing House Examiner System and the Bureau of Credits idea. Thus far thirteen new clearing house associations have been organized, increasing the total of 309 on October 1, 1922, to 322. At present a large number of our smaller cities and towns are contemplating the organization of local associations and we hope to be able to report by October 1, double the number organized so far this year.

During the past six months, two cities have organized credit bureaus in connection with their local clearing house association, namely, Newark, N. J., and Richmond, Va. The Clearing House Committee of Fort Worth, Texas, now has this matter under consideration and in all probability will have such a bureau of credits in operation very shortly. At present a number of county bankers associations are considering a bureau of credits for their county association, and plans are being worked out whereby we hope to be able to report a number of such credit bureaus operating in conjunction with these county bankers associations.

We believe such a bureau of credits is but the forerunner for the examiner system not only in the cities mentioned but in these counties as well.

The clearing house committees in several cities have voted to install an examination department in connection with their clearing house, and are just waiting to secure the right man before such a department becomes operative. It is hoped that before the end of our fiscal year, the cities of Denver, Akron, Toledo, Youngstown, Buffalo, Norfolk, Harrisburg, Baltimore, Washington, D. C., and several others will inaugurate this system of examination.

Wide publicity has been given to the merits of the system and we feel that many bankers throughout the country are only beginning to realize the many advantages accruing from such a department operating in connection with their clearing house association.

During the past three months a comprehensive survey has been conducted

through the clearing houses of the country, also among several hundred banks in our larger cities, in an effort to find out the minimum no-protest amount used by them. At the present time the majority of banks are about equally divided in their use of the \$10 and \$20 amounts. We believe that through our members (the clearing houses) and in cooperation with the Federal reserve banks, we will be able to bring about a uniform amount, which will be acceptable to all banks in the country.

Our Section through its members is cooperating with the Committee on Public Education by enlisting the services of the clearing house banks in distributing to their patrons through their monthly statements and pass books, small printed slips or folders giving a list of the best books on business law, money and banking, corporation and finance and general economics.

The Clearing House Section Bulletin, which is issued monthly and sent to the manager and secretary of every clearing house association, has proved to be of the greatest value to our members in giving to them helpful suggestions relating to clearing house activi-

ties in all sections of the country, and through which we have been able to get the heartiest cooperation at times of every clearing house association pertaining to the welfare of our Association.

The Acceptance Committee of the American Bankers Association, which has been functioning through the Clearing House Section for several years, has co-operated most heartily with the American Acceptance Council in its campaign for a better understanding of acceptance practice by the bankers.

The Clearing House and Bureau of Credits idea as well as the Examiner System has attracted the attention of the Japanese Industrial Commission, which has just completed a full report of the advantages accruing to the banks through a bureau of credits and a clearing house examination department in connection with their local association. This Commission has made an exhaustive study and has recommended to the Minister of Finance of Japan that the Clearing House idea be adopted in their country, together with the Bureau of Credits and the Examiner System.



A Symbol of Constructive Banking  
Since 1890



# Our Money in the Making

By LINGARD LOUD

**The Products of American Mints from Colonial Times to the Present. History of the Various Coins in Use. No Limit to the Quantity of Pennies the Nation Can Consume. A Total of Three and One Half Billions Have Been Put into Circulation**

ON February 1 of this year we in America possessed eight and one half billions of dollars of dollars in gold coin, bullion, subsidiary silver, and bank notes.

With our pockets thus full of money we can look back very cheerfully on America's pinched and starveling monetary beginnings three hundred years ago, and trace the growth of our currency system from Colonial days down to the present.

Coins were so scarce in the American colonies—the pounds, shillings and pence brought from England by the settlers having quickly gone back to pay for implements and supplies—that the colonists were very early reduced to swapping things instead of buying them.

The swapping system (or "barter" as economists learnedly denominate it) was not calculated to encourage a multifarious commerce. Each transaction was painfully slow and difficult of adjustment and decision. The man with the beaver pelts, the corn, rye, peas, dried fish, or barrel of potatoes, had to hunt high and low to find and convince the man with the keg of nails that now was the time to swap, and this the thing to swap for.

## Tobacco Money

The barter system satisfied the simple needs of naked, savage red men, but was wholly inadequate for whites. They needed *money*—something universally useful, desirable, and unfluctuating in value.

South Carolina used rice for money. Virginia used tobacco and tobacco warehouse receipts. Massachusetts used "musket bullets of a full boare" and enacted that these should "passe currently for a farthing apiece, provided that noe man be compelled to take above XII d. att a tyme in them." New York and all the New England states used "wampum" shells, pierced, polished, and strung together in the form of necklaces, belts, pouches, and other articles of use and adornment, universally acceptable to the Indians with whom most of the white man's fur-trading and land-grabbing business was carried on.

In 1628 Massachusetts declared six wampum shells equivalent to one penny. In 1693 you could still cross from Brooklyn to New York on the ferry for "eight stivers of wampum" or tuppence in silver.

However, wampum was "counterfeited." That is to say, imitations of the genuine Indian article were manufactured in great quantities by white people. So far did the supply of wampum presently exceed the demand that the market was broken. By the middle of the 18th century nobody would accept the gay bags and belts as money.

Virginia tobacco was no more stable in value than Carolina rice or New England wampum. One year a light crop would send its price soaring. The next a bumper crop would make it so plentiful that it became comparatively worthless. Vainly did the tobacco planters attempt to restrict the quantity grown, and threaten with death anyone who should plant more than his allotted acreage.

By 1645 the Grand Assembly of Virginia, Governor, Council, and Burgesses, "having maturely weighed and considered how advantageous a quoin current would be to this colony, and the great wants and miseries which do daily happen unto it by the sole dependency upon tobacco, have at length resolved" to establish a mint. But nothing came of their resolve for years.

It remained for Massachusetts to defy the direct royal prohibition, and establish the first mint on these shores. The law was passed by the General Court on October 19, 1652, and set forth that the coins should be "flatt and square" in denominations of twelve pence, six pence, and three pence.

Depositors of bullion were privileged "to see the same melted, refined and assayed." John Hull, first mint-master, went to work with one assistant in a building sixteen feet square and ten high, rolling silver, hammering it to approximately the right size, clipping it to correct weight, and stamping it with his famous nine-tree design and its proper value. For his work he was allowed a mint-service charge of a shilling and sixpence in every twenty shillings, and apparently that was more than enough to keep him happy, for though the General Court later reduced his emolument somewhat, he continued until his death in 1683 to turn out these coins.

The greater part of the bullion which came to him, however, came from buccaneers, who were preying on the Spanish trade with the West Indies, Peru, and Mexico. These coins did not remain in the colony for general use, but were carried away as they came, in the holds of the buccaneers' ships.

The object here was of course the same as that of the Bolsheviks, who contrived in our day to transfer Russia's gold to Sweden, and employed the Swedish mint-mark to conceal the source of their ill-gotten gains.

Maryland, in 1660, was introduced to the coinage of shillings, pence, and groats, by Lord Baltimore, her proprietor, and they proved so serviceable that Carolina, Virginia and New Hampshire followed in issuing similar coins. Many individuals made their own token money, and private mints put out gold coins in great variety. In 1787 New York coined gold "doubloons" worth \$16. As late as 1851 the United States Mint reported 27 different types of gold coins, issued by fifteen private mints, that had been received and assayed at Philadelphia.

## Our Currency Is Established, 1792

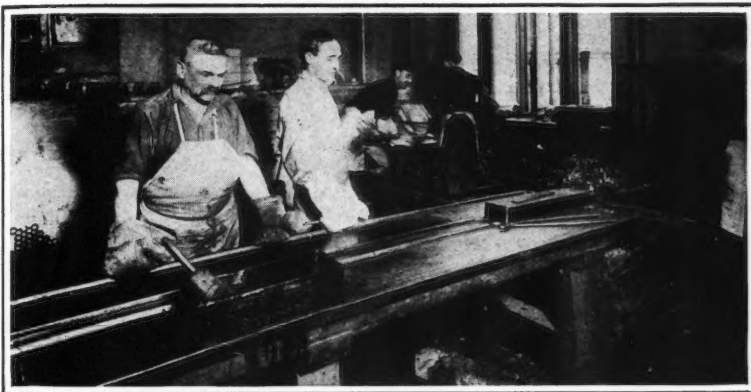
By the combined efforts of Alexander Hamilton, Thomas Jefferson, and William Morris, Congress was prevailed upon in 1792 to pass the Act establishing our present currency system, and providing for the free coinage of gold, silver, and copper coins.

Cents and half-cents in copper; half-dimes, dimes, quarters, half-dollars, and dollars in silver; and half-eagles and eagles in gold,—were authorized. From time to time since then a variety of other coins have been authorized, mainly for passing purposes. For example, octagonal \$50 gold pieces were struck off for use in connection with the Panama-Pacific Exposition. The main lines of our currency system, however, were all laid down by Hamilton in 1792.

The basic unit was the dollar of one hundred cents.

The word and the idea of the "dollar" has been traced back to a certain great landed proprietor of what is now Czecho-Slovakia, who lived in the St. Joachim Valley or "Jachim Thal." His name was Graf (or Count) von Schlick-en. In 1486 he began the minting of silver coins, about the size of the modern dollar, which were so pure and unvarying in content, that they were at once preferred by the mercantile world to the debased and irregular currency which then disgraced Europe.

Naturally these coins were called "Schlickenthalers" or "Jachimthalers." By Shakespeare's day they had become well-known in England, where they were



Making Gold Into Ingots

called "dalders," "dolors," "dollors," and later, "dollars."

The name spread itself over all coins comparable in size and purity. Thus the eight *real* pieces of the Spaniards, which circulated throughout the New World, and were called "pieces of eight," by our forefathers, came to be thought of as "dollars." Those Spanish pieces of eight became the direct ancestors of our American monetary unit.

A more honest parentage could scarcely have been desired.

While the "dollar" can thus definitively be traced to its origin the dollar mark's beginning and cause is lost in the mists of obscurity. Many theories are supported with plausibility, as that the "S" was so drawn as to indicate "Spanish" and "eight" both at the same time, and to make sure that no one would take it for a mere initial, or digit, the two vertical lines, or the single vertical, were drawn through it from top to bottom.

### Massachusetts "Bills of Credit"

"Bills of credit," the first paper money on this continent, issued by Massachusetts in 1690, originated a practice which spread rapidly to other colonies. Scandals attended the reckless issue of such money, scandals not confined to private issues and state issues, but extending also to the Federal currency which was put out following the Declaration of Independence. With nothing back of it but the future possibilities in the way of taxes and excises, "Continental" currency soon became "not worth a Continental."

In 1779 the Congressional issues amounted to \$241,000,000, and the state issues to more than \$200,000,000. One hundred and fifty paper dollars were needed to buy a bushel of corn, and tea was ninety paper dollars a pound. Samuel Adams is said to have spent 2000 paper dollars for a new "beaver" hat and a suit of clothes.

Despite the efforts of Alexander Hamilton, the temporary amelioration effected by the first and second Banks of the United States, the promulgation of one reform Act after another, and the ever increasing prosperity of our growing nation, the paper money period of our history never quite ended until 1879, when specie payment was resumed once and for all.

### Bimetallism Discarded

Our original system of coinage involved bimetallism, and in common with all the other nations which tried it, we gave it up in favor of the single, gold standard. This was accomplished by a sort of tacit understanding.

Silver we found much too variable in value to be retained as a money metal on a fixed equality with gold, and for many years we have kept it at a fixed (and hopeless) inequality.

In 1919 bar silver went as high as \$1.34 an ounce, five cents above the gold parity, which is \$1.2929. Officials of the mint are said to have held their breath. If the price had gone to \$1.38, it would have become profitable to melt down not only silver dollars, but smaller coins as well, and sell them to the Mint as bullion.

But the price quickly receded from that high mark, and the Mint was able to secure \$250,000,000 worth of silver at a dollar an ounce for shipment to British India to uphold the monetary system of that country during the disturbances to credit caused by the war. The prevention of a panic in India was a not inconsiderable element in our contribution to the victory of the Allied and Associated nations.

For decades our silver coinage has been a subsidiary coinage, a "token" money, whose content varies in value with the price of silver, but never approaches the value stamped on the faces of the coins.

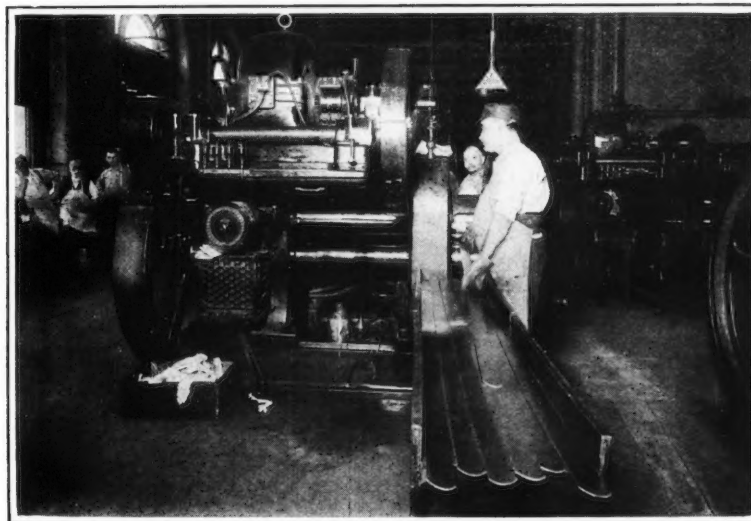
### How the Various Coins Came

Moses Brown, a Boston merchant, is said to have sold the first gold bullion to the United States Mint, a collection of ingots valued at \$2,276.72, on February 12, 1795. He took silver coins in payment. Of our silver coins by the way, the first to appear were dimes and half-dimes, in 1792.

The first metal ever purchased by the mint was six pounds of old copper which was secured in 1793 at one shilling and sixpence the pound. The first copper coins, "big" cents and half cents, appeared in 1793, and continued to be issued in various designs until a year or two before the Civil War—1857 to be exact.

The year 1794 saw our first silver dollars and half-dollars. Quarters came along in 1796; gold eagles, half and quarter-eagles also in 1795-6. It was not until 1849, after the California Gold Rush, that gold dollars were coined, and the double eagle arrived a year later, in 1850.

The bronze cent, of the present size, came in 1864. Two years later came the "handiest American coin of the present



Rollers Turn the Ingots Into Flat Strips

day," the five-cent nickel. We had three-cent nickels in 1865, and nickel one-cent pieces from 1857 to 1864, but no "regular nickel," as we would say, until 1866. This five-cent nickel is, by the way, only one-fourth nickel. Three-fourths of its content is pure copper.

The closest rival in popularity to the five-cent nickel is the little bronze penny. More than three and a half billion pennies have been put into circulation since the mints began coining them, and fewer than a hundred thousand have come back to be reminted. Nobody knows what becomes of them. There seems to be no limit to the quantity the nation can consume, use up, hoard, flatten out on car-tracks, or throw away.

### Modern Mint Procedure

The office of the Director of the Mint is in Washington, D. C., but the mints and assay offices under his direction are all located elsewhere. The mints are in Denver, San Francisco, and Philadelphia, the last being the largest and most important. The assay offices are scattered in a dozen cities all over the country.

Coin-making procedure is as follows: First of all the metal is alloyed with copper, one part of copper to nine of silver or gold, to make it hard enough to withstand the wear and tear of being stacked, passed from hand to hand, and rubbed against other coins in the people's pockets. The alloyed metals are cast into ingots, and rolled out in strips the thickness of the coins to be minted. Then the strips are passed through punching machines which cut out round disks or "planchets" which are sorted and studied for defects. Overweight planchets are filed down, underweight planchets are remelted.

The planchets go next to the milling machine which raises the edges of the disks to protect the design against abrasion. Then they are annealed, cleaned, dried, and passed along to the stamping machine, which imprints the design on both sides at once under a hundred tons pressure or more, (175 tons for a twenty dollar gold piece, and 150 tons for a silver dollar); and at the same time corrugates the edges by pressing against a fluted collar.

In addition to silver and gold coins, our mints strike more than half a billion nickels and pennies every year. Not satisfied with abundantly supplying our domestic needs, they prepare coins for the Philippine Islands, and for Latin American countries which have no mints of their own. Perhaps the latter accounts in some measure for the fact that the mint is a profitable government enterprise, earning as much as \$20,000,000 a year for Uncle Sam.

### Paper Money and Bank Notes

The Bureau of Engraving and Printing at Washington, D. C., attends to the printing of our paper money and bank notes. A private mill in Massachusetts



Cleaning Mechanism for Paper Money

makes the paper by a secret process in the course of which little fibers of colored silk are woven in. The engraving of a plate from which paper money can be printed, is a job requiring six months or longer for its accomplishment, and is sufficiently costly greatly to discourage counterfeiting. When the plates are finished about thirty days are required to prepare the pieces of paper money.

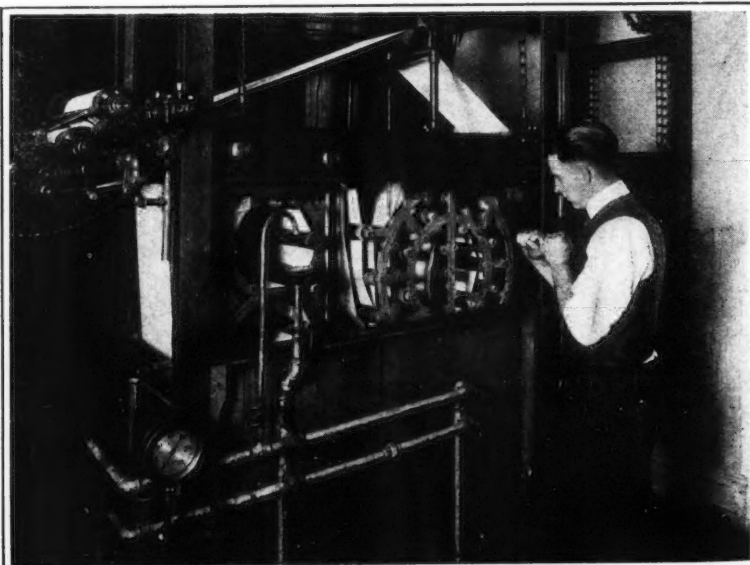
The difficulty and cost of paper money make it worth while for the Government to launder dirty bills and return them to circulation. Bills too badly dirtied, defaced, torn, or otherwise damaged, are counted, cancelled, and thrown into the macerator, a machine which tears them up and reduces them to pulp.

In a recent article prepared for the New York Herald, D. R. Crissinger,

newly appointed head of the Federal Reserve system, sketched the history of the use of gold as a yardstick of values, from prehistoric days to the present.

### Whence Came Our Gold Hoard?

Only in recent times, he pointed out, have there been large stocks of gold available as the basis for currencies. With the discovery of America, and the looting of Mexico and Peru there was inaugurated a period of "moderate production,"—no more. But the gold "strikes" in California, Alaska, Australia, and South Africa, together with the invention of new processes for refining and mining the ore, have immensely accelerated the world's accumulating of stocks of the yellow metal.



These Machines Cast Out Coins Whose Weight is not Exact



# The Condition of Business

**M**ARCH and April have been months of exceptional business activity. Production records in several industries have been shattered; a growing volume of new orders has been placed; prices and wages have continued to rise; retail and wholesale trade are in heavy volume; building construction has increased in volume; employment has increased to the point where there is in certain directions a marked shortage of workers.

Among students of business and finance discussion has swung over from the subject of the extent and nature of the business recovery to the subject of its probable duration, and the factors which are likely to bring it to a conclusion. In the past 30 days a whole series of statements have been made by business men, bankers, and others warning against the possible dangers in unwise business or credit expansion.

## Mr. Schwab's Warning

Mr. Charles M. Schwab, chairman of the Bethlehem Steel Corporation recently made the following statement:

"Business is plentiful and industry is active throughout the country, and we have every reason to feel happy over the situation. The indications are that we are entering into a period of expansion, and the utmost caution must be exercised to prevent this from developing into a secondary inflation, which would be disastrous.

"I have always found that the steel industry is a pretty accurate indicator of industrial conditions. The Bethlehem plants are all working almost to capacity, and I am sure that the same conditions apply to most of the other steel mills.

"It is a rather good sign that a large part of this steel is going into new construction work and into railroad equipment. This indicates that the business leaders are looking forward in an effort to meet the demands that will be made on them for increased production and increased transportation.

"If there is one word of advice I would give it would be that we proceed carefully and place our confidence in the integrity and good judgment of American business men.

"Our job right now is to keep on an even keel and steer a straight course. Business is on a firm foundation, but it must be kept there."

## Danger of Increasing Costs

A similar warning has been given out by Charles E. Mitchell, President of the National City Bank of New York.

"Industries are producing at the highest rate ever known, traffic of the railroads in the first quarter has been the greatest in history, and trade reports from all quarters are excellent.

"There is ample basis for a sustained period of prosperity. We have not yet made up the deficit in construction caused by the war. If our prosperity is short-lived it will be because we try to ride it too hard. All parties concerned ought to be level-headed enough to see the danger and guard against it.

"We want stable business, stable prices, steady production, regular employment, instead of booms and depressions. The great fluctuations that afflict business and make employment irregular are not due to the manipulation of the few, but to the spasmodic action of the many.

"Just now labor is fully employed; we are doing all we can, and additional pressure will be harmful rather than beneficial. The decision a few weeks ago against tax exemption for new dwellings in this state caused many undertakings to be cancelled. The decision has been overruled, but an increase of build-

ing costs may easily be more serious than the tax decision. It is the same throughout the industries. The danger in this situation is not financial, but industrial—a too rapid increase of industrial costs."

## An Official Warning

The Department of Commerce in a statement on April 19 sounded perhaps the first official warning of danger in the present situation. In giving out recent figures for industrial production, the following statement was made:

"With newly established peaks in production, sales and consumption of goods, the future course of business conditions is seen by the Department as determined largely by the adherence of the business community to the lessons learned in 1920 and the correctives recommended by such reports as that of the committee on unemployment and business cycles."

## Mr. Ford on Over-expansion

A recent statement by Mr. Henry Ford is still more vigorous and definite in condemning a policy of unwise over-expansion in business at the present time. A part of his statement follows:

"Unless the business interests come to their senses and quit the mad scramble for material and men I am not so sure that we can retain our present prosperity. Business has regained a healthy start but a few unwise moves can throw it off the track again."

"These suddenly rising prices of materials are unnecessary. I am surprised that many manufacturers have not taken a wiser course. The raw material men see the over eagerness of certain manufacturers to do two years' business in one, and they trade on this eagerness. Paying skyrocketing prices does not add one single pound of steel, lumber or other goods to the world's supply; it only increases the risk that a manufacturer will accumulate more inventory than he needs.

"The result is that manufacturers are beginning to bid against one another and with every bid prices move up a notch. In this way they are playing the raw material interests' game, and unless a wiser view is taken, the end of it all is going to be another stoppage of business.

"Paying higher wages, temporarily, than a plant can pay permanently does not in-

crease production or do anybody much good. Oftener it results in decreased production and is harmful to the men. Under the stimulus of unnaturally high wages, workmen are induced to assume responsibilities which they cannot carry out in normal times, or when wages are reduced or when the men are laid off, and so the whole failure backs up until it overflows business men in every line."

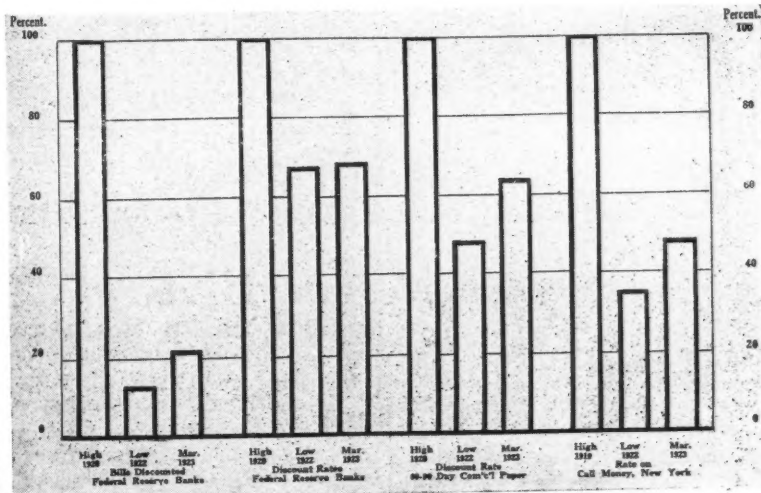
## New Production Records

The output of pigiron and steel ingots, automobiles, and the mill consumption of cotton were larger in March than in any previous month, and the same statement is probably true of a number of other industries for which complete records are not available promptly. The continued increase of activity in the iron and steel industry reflects in considerable measure the tremendous output of automobiles and the carrying through of a big program of construction by the railroads.

## Railroad Buying Program

A statement has been issued by the member roads of the American Railway Association, setting forth the steps which the railroads plan to take in order to meet the heavy demands on traffic which are clearly in prospect with the continuance in the summer of a large volume of industrial activity. The statement indicates that since January 1, 1922, the railroads have authorized the expenditure of more than \$1,500,000,000, for cars, locomotives and other facilities, of which nearly half a billion was actually expended during 1922. This leaves a billion dollar program in prospect for this year.

In addition to the ordering of new equipment, the railroads plan to reduce by October 1, 1923, when the peak of the traffic ordinarily begins, the number of cars awaiting repair to the normal basis of 5 per cent. of the total equipment of the country. It is also proposed to reduce the number of locomotives await-



Credit Situation Illustrated by Chemical National Bank

## *The complete confidence that justifies Credit*

**T**HE most neglected factor of safety in all industrial financing is the attitude of labor. What the worker thinks of his work, of himself, of his employer has everything to do with production. And the difference between prompt production and production that lags is the difference between profits and possible ruin for your client, and profit or loss for you.

It is not enough that you believe in the integrity of the manufacturer you finance. It is not enough to know that his plans are sound. Back of your confidence in client and plans must be assurance that his production program will be carried through as outlined. Otherwise there is lacking the complete confidence that elevates industrial financing above the level of a gambler's chance.

Taking the gamble out of production is the business of Sherman service. This unique system obtains complete co-operation between your client and his workers. It makes the head and the "hands" harmonious parts of one properly functioning business body. When your client has Sherman Service in his plant, production is limited only to the capacity of machinery; it is not handicapped by the lack of human co-operation.

Sherman Service succeeds because its theory is sound and its development of that theory is remarkable. It believes the worker is a *thinker*. It presents his problems in the proper light, gets him thinking the right way and keeps him thinking the right way.

Sherman Service is the biggest business of its kind in the world. Let us show you how it assures the complete confidence that justifies credit. Our conference will be without obligation on your part.

Send for our booklet "Stopping Payroll Losses." Please address Dept. ABA.

**SHERMAN SERVICE, INC.**  
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*Largest organization of its kind in the world*

## CONVERTING COLLECTIONS INTO CASH

Why waste time and money by allowing your cash or collection items to lose a day in bank or post office?

Sending your business to this bank for collection is equivalent to sending it direct.

Our twenty-four-hour Transit Department, which receives and dispatches mail day and night, insures you against avoidable delay.

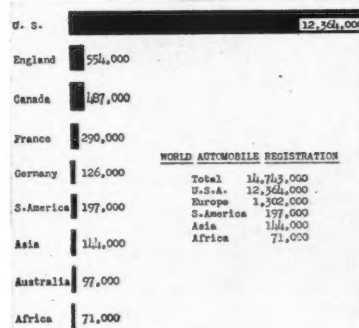
All items handled at par for correspondents. No charge for telegraphic transfers.

THE  
PHILADELPHIA  
NATIONAL  
BANK  
PHILADELPHIA, PA.

ing repair, and to effect a number of other changes in operation which will bring efficiency to the maximum during the period of heaviest freight movement in the fall. The effects of the efforts of the roads in these directions are already apparent in a considerable reduction of the shortage of freight cars in the face of exceptionally heavy railroad traffic at a period of the year when the seasonal movement is on the increase. The shortage reported is now less than 50,000 cars as compared with 80,000 a few weeks ago.

### Automobiles

An automobile output in March of 353,000 cars exceeds by 64,000 the previous high record of June, 1922. If this rate of output were continued for a year, it would mean a production of about 4,000,000 cars. The production and sale of cars at the present rate is an indication of the generally high purchasing power of the population. The registration of cars in the United States now totals more than 12,000,000 and is about five times as large as the registration in all other countries put together. This is illustrated by the accompanying diagram, taken from the Bulletin of the Cleveland Trust Company, showing world automobile registration:—



### Building Construction

Building contracts let in March in 36 states for which the F. W. Dodge Co. publishes reports totalled \$371,000,000. Residential contracts were larger than in any previous month, with a total of \$176,000,000. If \$5,000 is taken as the average cost per apartment or house, the construction represented by March contracts would be sufficient to house more than 35,000 families. In the face of this tremendous construction program, building material prices and the wages of building workers have been moving upward rapidly. In some instances, building workers are receiving bonuses beyond the union scale of wages. As a result of these changes, building costs are rising sharply, and from certain parts of the country there come reports that high costs are limiting the placing of new building contracts.

## Employment

The absorption of many additional workers in building trades has been partly responsible for reducing the supply of workers available for factory work. As the factories have speeded up in their operations, they have begun to encounter a shortage of unskilled labor, and certain types of skilled and semi-skilled labor. This is in spite of the fact that the actual number of workers employed in factories is considerable smaller than it was at the peak of production in 1920. A surplus of labor which has been reported for some months previous in a few sections, particularly in the west is being rapidly absorbed, and even in rural districts, a shortage of labor is developing.

### Estimates of Labor Shortage

A careful estimate of the extent of labor shortage in industrial establishments has recently been made by the National Industrial Conference Board. The Board found that, in over 1,000 manufacturing concerns from which reports were received, unfilled positions amounted to 2.5 per cent. of the total number of workers employed. The principal shortages were in female labor, and unskilled labor. There were marked surpluses of clerical help.

One of the most interesting facts brought out by the Survey was the inequality of labor distribution. There were shortages in some localities, and surpluses in others, and some means for a better distribution of labor supply was suggested as the principal need in the current situation.

## Wages

More wage increases were announced in March and April than in some months previous. The lead was taken by the textile mills in New England, following a 12½ per cent. increase throughout the plants of one of the largest interests. The United States Steel Corporation also announced an increase of over 10 per cent. in the wages of steel workers.

All but one of the 42 industries reporting monthly to the United States Bureau of Labor Statistics reported some wage increases. These ranged, as a rule, from 5 to 10 per cent., and affected varying proportions of the employees.

Index numbers of average weekly earnings in industrial establishments as they were reported by the United States Bureau of Labor Statistics and the New York State Department of Labor showed considerable increases in March, and are now more than 10 per cent. higher than at the low point a year ago, and about twice as high as the pre-war level. Since the cost of living is only about 60 or 70 per cent. higher than before the war, the purchasing power of the workers' wage is higher. This fact may account to a considerable extent for the active wholesale and retail trade of the present.

### Wholesale and Retail Trade

Wholesale and retail trade as reported by the Federal Reserve Banks are run-

ning 10 to 20 per cent. higher than a year ago. The sales of mail order houses which reflect rural buying are 35 per cent. higher than last year, while the sales of various chain store systems show a somewhat similar increase. The opening up of new chain stores goes on apace. There are now regularly reported the sales of more than 15,000 chain stores, an increase of 3,000 as compared with last year. New stores which are established tend for a time to have somewhat smaller sales per store than those on the

long established sites, but the sales in March of reporting systems show an increase of 5 per cent. in sales per store, as compared with March, 1922.

### Prices

Recent increases in prices of basic commodities have begun to be reflected in the slower moving price average made up by the United States Department of Labor from the prices of more than 400 different commodities. The index num-

# National Bank of Commerce in New York

Established 1839

## STATEMENT OF CONDITION, APRIL 3, 1923

### RESOURCES

Loans and Discounts	\$297,729,823.01
Overdrafts, secured and unsecured	63,793.64
United States Securities	51,205,687.21
Other Bonds and Securities	3,753,271.81
Stock of Federal Reserve Bank	1,500,000.00
Banking House	4,000,000.00
Cash in Vault and due from Federal Reserve Bank	42,810,925.99
Due from Banks and Bankers	7,514,763.44
Exchanges for Clearing House	42,672,741.66
Checks and other Cash Items	2,973,502.05
Interest Accrued	853,680.32
Customers' Liability under Letters of Credit and Acceptances	37,205,718.41

**\$492,283,907.54**

### LIABILITIES

Capital Paid up	\$25,000,000.00
Surplus	25,000,000.00
Undivided Profits	12,511,254.47
Deposits	347,424,417.42
Dividends unpaid	305,141.50
Bills Payable with Federal Reserve Bank	30,000,000.00
Reserved for Interest, Taxes and Other Purposes	6,489,488.74
Unearned Discount	1,526,595.15
Letters of Credit	17,238,591.25
Acceptances executed for Customers	23,011,887.34
Acceptances sold with our endorsement	3,776,531.67

**\$492,283,907.54**

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JAMES S. ALEXANDER

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## G R O W T H

**I**N DETROIT 195,000 copies of the April edition of the telephone book were required for telephone subscribers.

A gain of 21,000 in a year.

These figures will give you another view of how Detroit is growing.

This bank has increased its facilities to take care of Detroit's and Michigan's industrial and commercial growth. It is also prepared to serve YOU well in every banking way.

(Formerly First & Old Detroit National Bank)

## FIRST NATIONAL BANK

DETROIT MICHIGAN

The First National Bank, the Central Savings Bank and the First National Company of Detroit, are under one ownership.

ber for March was 1.2 per cent. higher than the figure for February. The most rapid increases recently have been in building materials and metals. The following table shows the recent index numbers for different groups of commodities, and indicates the change which has taken place since the low points were reached in 1921.

Commodity groups	March Index	Per cent. change during March	Per cent. increase from low
Metals .....	149	+7.2	36.7
Building materials..	198	+3.1	27.7
Farm products....	143	+0.7	25.4
Cloths and clothing	201	+1.0	17.5
Fuel and lighting..	206	-2.8	13.8
Chemicals .....	135	+2.3	11.6
Foods .....	143	+1.4	9.2
House furnishings..	185	+0.5	6.9
Miscellaneous .....	127	+0.8	11.4
All groups.....	159	+1.3	15.2

### Increases in Industrial Costs

Price and wage increases in the past few months have increased the costs of production to an extent that has not been reflected as yet in the selling price of products. The wholesale prices of finished articles and their retail prices have been kept down by consumer resistance. As a consequence, it is becoming increasingly difficult for manufacturers to carry on business at a profit. It is exactly at this point that the present business situation calls for the most careful analysis and it is probably this situation which has led to such warnings against over-expansion as were quoted in the beginning of this review. There are apparently three possibilities in the present situation. One is that by increased efficiency of labor and plant operation manufacturers may be able to continue to harmonize high wages and high material costs with reasonable selling prices. A second possibility is that selling prices will increase rapidly, keeping pace with wages and materials. This is a highly dangerous possibility, as it leads us to an economic situation similar to that of 1920. A third possibility is that manufacturers will not be able to meet the exigencies of the situation and we will go into a period of much less active business.

### Orders and Inventories

Some hope that a way out of the present situation may be found through increasing efficiency is offered by the extent to which manufacturers and merchants are limiting their advance orders and are keeping down the size of their inventories. While iron and steel production is going forward at the maximum, the unfilled orders of the steel corporation are 30 per cent. below the 1920 peak figures. The stocks of goods held by department stores continue moderate and the rate of stock turnover is rapid.

The following table, published in the *Wall Street Journal*, shows the dollar value of the inventories of 74 industrial concerns at the end of the year for the past four years, as compared with 1914. Even when price changes are taken into consideration, it is clear that the inventories at the end of 1922 were not alarmingly large.

1914 .....	\$ 867,000,000
1919 .....	2,330,000,000
1920 .....	2,497,000,000
1921 .....	1,804,000,000
1922 .....	1,706,000,000

There is no way of knowing how much inventories have increased in the early months of this year.

### No Credit Strain

Another encouraging feature about the present situation is that there is no credit strain. There is no heavy borrowing from the Federal Reserve Banks and interest rates remain reasonable. This is partly due to the tremendous imports of gold in the past three years.

which have made possible a considerable credit expansion without credit strain. As a result of gold imports the banks are in a position to meet any reasonable demand for credit and it appears unlikely that credit will be a limiting factor on industrial expansion. The present situation is illustrated in the following diagram quoted from the bulletin of the Chemical National Bank of New York. The danger in the current credit situation is not the danger of a credit stringency, but the danger of overexpansion in industry.

### Protection Pays

**A**CTUAL evidence of the value of Protective work of the American Bankers Association is revealed by a comparison made in the report of the department of the losses sustained by banks which have this protection with those of non-member banks which do not have the benefit of the Association's detective agents. Since the inauguration of the protective work reported burglaries and attempted burglaries (such as are known) on non-member banks have reached a total of 2286 while the burglaries against member banks have totalled only 1491; hence there have been 795 more burglaries against non-member banks than against banks whose safety is a matter of direct concern to the Association and its detective agents.

The losses sustained from these burglaries are even more significant: non-member banks' losses totalled \$3,979,763.00 while the losses sustained by banks which are protected by their membership in the Association amounted to only \$1,011,301.27. In other words since the inauguration of the protective work, banks which have not had its benefit, have lost through burglaries \$2,968,446.73 more than the banks which are thus protected. The figures are especially illuminating when it is recalled that the great majority of banks in the United States are members of the Association which circumstance throws the greater loss on a comparatively smaller number of banks.

The report signed by W. G. Fitzwilson, Secretary, and L. W. Gammon, Manager, continues:—

During the seven months covered by this report, there have been referred to The William J. Burns International Detective Agency, Inc., for investigation, 600 cases of burglary, attempted burglary, hold-up, forgery, etc, with the following results:

Arrested by the Burns Agency	128
Arrested by local and Federal authorities, private detective agencies and bank employees	50
Compromised by the Burns Agency	14
Operator located by the Burns Agency, no action taken....	10
The Burns Agency locating operator under arrest on a local charge and identified by it on a charge made by a member	1

Special cases held up, awaiting developments ..... 397

Total ..... 600

Special cases that were pending August 31, 1922, and have since been closed, are as follows:

Arrested by the Burns Agency 64 |

Arrested by local and Federal authorities, private detective agencies and bank employees 20 |

Compromised by the Burns Agency 0 |

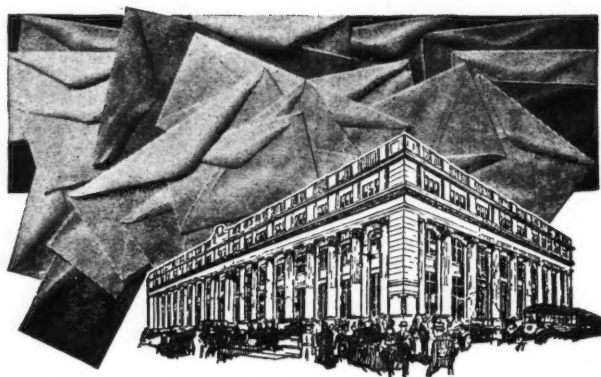
Operator located by the Burns Agency, no action taken.... 8 |

The Burns Agency locating operator under arrest on a  |

local charge and identified by it on a charge made by a member ..... 7

Total ..... 99

Within a period of a few months, representatives of two separate Chinese banking institutions have visited Habana to determine the needs for local branch catering to Chinese interests, says Assistant Trade Commissioner C. A. Livenood of the Department of Commerce. These banking institutions are the Industrial and Commercial Bank (Ltd.), of Hongkong, and the Chinese Merchants' Bank of the same city.



## 7 Million Envelopes a Day

**S**T. LOUIS is the home of the largest envelope manufacturing concern in the world, having a daily output of more than 7,000,000 envelopes of all sizes, shapes and grades.

St. Louis is likewise the home of the Mercantile Trust Company, one of the foremost financial institutions in the Middle West, offering to firms, corporations and individuals a modern and complete banking service.

Our thorough knowledge of St. Louis conditions and surroundings, gained during twenty-three years of constant service, enables us to handle business of banks, trust companies and individuals in a most efficient way.

9 splendidly equipped departments insure satisfactory service. Banking Bond Corporation Real Estate Loan Real Estate Public Relations Safe Deposit Savings Trust

**Mercantile Trust Company**

Member Federal Reserve System

EIGHTH AND LOCUST



Capital & Surplus Ten Million Dollars

—TO ST. CHARLES

SAINT LOUIS

# The Federal Reserve System

## Speaker's Suggestions by the Committee on Public Education

**T**HE talks already given have treated principally of the relation of each person to the local bank or banks in his community. We have learned that the bank receives our money on deposit and loans out part of it to those in need of funds to conduct their

business. When we make a deposit or secure a loan from the bank, the transaction is evidenced either by a credit on the books of the local bank, or by the execution of a "credit instrument," such as a note, a mortgage, or a trade acceptance. The business of the bank is,

therefore, a matter of credits. We have seen also that the local bank is always required to keep a reserve on hand in proportion to its credits or deposits, so as to be ready to meet the demands of those who desire to draw out money.

### Banking, a System

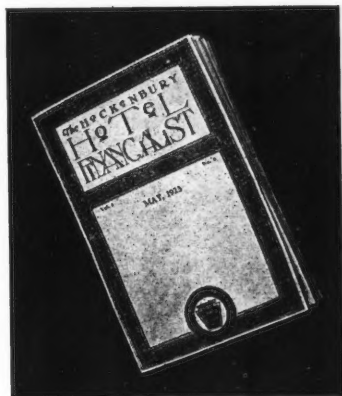
Today, however, our subject treats of the relation of each local bank to our present banking system. Just as a local telephone station is valuable to you and to me, because it belongs to a telephone system whose wires reach to all parts of the nation, so the local bank is valuable because of its connections with other banks in the United States. We cannot thoroughly understand the work of the bank by merely watching its local operation, any more than we can understand the telephone by so doing. Like the telephone, the local bank finds its strength and its usefulness only because it is part of a system. It is true that we had a banking system before the Federal Reserve System came into being. Even now not all banks or trust companies are members. Every one, however, realizes that the Federal Reserve System is today the chief cornerstone in the banking business of America.

### Importance of Reserves

A vital element in banking is the question of the bank's reserves. Money on deposit must always be ready for depositors when they desire it. In like manner, the bank must be ready to do its part towards loaning money, whenever needed, to its customers. Otherwise, the business of the community is hampered. In other words, all prosperity depends largely on bank reserves. The problem of handling our reserves has been difficult to solve. Let us now consider briefly the results attained under the Federal Reserve System.

### Development of Banking

First, in order to understand the difference between banking and other business, let us go down town to shop, or to visit the ice cream parlor or the post-office. You notice several dignified offices with bronze signs reading, First National Bank, Peoples State Bank, Citizens Trust Company, or something of the kind. You know something of what they do. You also know that each of these banks is managed by its own officers and directors, elected by its own stockholders, and that these men are practically all of them residents of our town, and have grown up with it. They are interested in helping the town to grow, and in making it prosperous because it is their home town.



**NEW** but it has  
helped thousands

- ❑ "The Hotel Financialist" is but four months old, yet from the letters received from its readers it has helped many cities in solving their hotel financial problems.
- ❑ It is the only publication dealing with news and events concerning community financed hotels, pointing out means and plans, together with other helpful suggestions for Civic Committees.
- ❑ Ask us to place your name on the list to receive it each month. It places you under no obligation whatever and may help you get a new modern hotel in your city.

**The Hockenbury System Incorporated**  
Penn-Harris Trust Bldg., Harrisburg, Penna.

The banks in our town are just like those in thousands of other cities in the United States. I wonder if you realize that there are in our country over 30,000 banks all operated independently like those here at home. Many other lines of business have, during the past twenty-five years, organized on nation-wide lines, as for example, the telephone companies, of which we have spoken, the great steel companies, and merchandising organizations with branches in many cities, such as the five and ten cent stores, chain groceries, chain cigar stores, and the like. You know when you see one of these stores, that it is part of a great organization owning similar stores in many towns. When you take a trip, however, and see First National Bank signs in different towns, you must not think that they are branches of the same bank. They are separate and independent banks.

#### Comparison with Foreign Systems

Ours is the only important country in the world which has such a system of independent banks. Fundamentally, a system of this sort suits our ideal of democratic organization. How greatly our banking system differs in this respect from the systems of other countries, you will understand when I tell you that Canada has only 17 banks, but these 17 banks have 3,500 branches, and that Great Britain has only 38 joint stock banks, with 9,500 branches. These branch systems are strong and develop bankers of great skill. Our distinctly American system, on the other hand, has certain advantages which have led our people to prefer it to a branch banking system like those of other countries.

#### Defects in Former System

For many years, however, it has been recognized that we lacked certain advantages which are obtainable through branch banking. A plan was sought whereby these could be obtained by having our thousands of separate and independent banks get together and co-operate for the improvement of our banking system, and for mutual protection in emergencies, for themselves and for the customers they serve. Business men and bankers recognized that we had periodical money panics, disturbing to business, and chargeable, in large part, to defects in our banking and currency system. There was no central bank from which the individual banks could get assistance in time of trouble, no flexible means of adjusting the amount of money in the country to the varying needs of business. Consequently, panic conditions caused weak banks to fail, and even strong and sound institutions to be endangered by the general lack of confidence. When the people of a community lose confidence in their bank, it is a serious matter for every one. In 1907, an especially severe panic occurred, and led bankers, business men, and leaders in Congress to make a careful study of banking practice in other countries. The result was that seven years later Con-

**5 Questions Every Banker Should Answer**

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This interesting book, just off the press, will tell you how thousands of bankers have cut their cost of making change, eliminated errors and pleased their patrons with quicker, better service. Tells how the Brandt replaces obsolete methods and increases the efficiency and earning capacity of your help. Over 26,000 in use over a period of 20 years. Have your secretary mail the coupon today for copy of book.

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gress passed a law providing for the establishment of twelve great Federal Reserve Banks, each designed to serve as a sort of central bank for such banks in its allotted territory as might become members of the Federal Reserve System.

Now let us examine the general outlines of this new system. It began to operate at an opportune time—the fall of 1914, shortly after war broke out in Europe. There was retained, as before, our American system of independent banks doing business under the management of the same local directors and officers. About 10,000 banks have become members of the Federal Reserve System, and thus acquired the services of the Federal Reserve banks. The member banks own the entire stock of the Federal Reserve banks, and elect two-thirds or six out of the nine members of the board of directors by which each Federal Reserve bank is operated. The other three directors are appointed by the Federal Reserve Board at Washington, which is the Governmental body having supervision over the Federal Reserve banks, though it does not operate them. The members of the Federal Reserve Board are appointed by the President of the United States.

### Functions of Reserve Banks

Now you will want to know what the Federal Reserve Banks do. That we will take up now under five headings.

#### 1. They hold member banks' reserves.

They hold member banks' reserves amounting to about \$1,800,000,000. Before we had a Federal Reserve System, each bank carried in its own vault the amount of cash required by law to be held as a legal reserve, that is, ready to pay depositors on demand. The really huge gold supply of the country was thus scattered among the thousands of independent banks, each holding a relatively small amount to which it was obliged as a matter of self-preservation to cling tightly. This method of banking may be likened to the old-time method of obtaining a water supply in a town or village. Each house had to depend on its individual well, or tank, or cistern. Picture to yourself such a town afflicted by a great conflagration. Imagine the inadequacy of such a water supply under such a catastrophe. Also picture that same town grown into a big city. When the water became low in one well, from drought, or excessive use, water would have to be borrowed from the neighboring well. It is probable that the water in that well also was at a low level. Thus the safety of all was threatened because no reserve water supply was at hand. Our country has grown rapidly in population and even more rapidly in industrial activity. The banking facilities which were sufficient for earlier days and simpler organization, have needed something to adjust them to the growing business of the nation. Under the Federal Reserve System, we have a series of modern reservoirs, located in various parts of the country, each serving the needs of the banks in its own district. In each of these res-

ervoirs credit is stored up to be supplied to the various banks, as the need arises. Each reservoir is in turn connected with all the others so that when the supply in one becomes low, the others may be temporarily drawn upon. By gathering the gold reserves of the member banks into the twelve Federal Reserve banks, a result has been obtained like that yielded by the construction of a great water supply, for a power plant, an irrigation system, or a city. The Federal Reserve banks now hold over three billion dollars of gold, the greatest reserve fund ever accumulated, and are strong enough to meet any conceivable demands for gold, for foreign exports, for domestic withdrawals, or for loan expansion.

#### 2. They loan to member banks.

The Federal Reserve banks make loans to the member banks. Each member bank formerly had to depend almost entirely upon its own resources in making loans to its customers. When it had loaned all of its own money, it could do no more, even though the merchant, manufacturer, or farmer customer had great need of more credit, and was seeking it for highly important and necessary purposes. Hence arose what was called a "tight money" situation. Now the member bank can, and frequently does take the notes of its customers to the Federal Reserve bank, and borrows there in much the same way as the customer borrows from the member bank. The Federal Reserve banks have loaned to their member banks and to the government as high as \$3,400,000,000. The member banks borrow at the Federal Reserve bank when they need money to assist in moving crops, or for similar purposes, and in emergencies, and pay up when the demand has passed.

#### 3. They issue currency.

The Federal Reserve banks issue currency. A large part of the bills which are in people's purses are Federal Reserve notes. They are secured by pledge to the Government of the borrowers' notes on which the member banks have borrowed from the Reserve banks. The bank notes go into the hands of the public when activities of business and agriculture create a need for more money in circulation, and go back automatically when the need has passed. The largest amount outstanding was about \$3,400,000,000 in December, 1920. From these figures it is plain that we now have a flexible system of currency issue. The privilege of note issue is regarded as of great value. The Government, accordingly, collects from the Reserve banks all of their earnings over a certain amount, as a franchise tax, that is a tax designed to compensate the Government for granting the note issue and other powers. The Reserve banks have to date (1922) paid to the Government in this way \$124,500,000.

#### 4. They collect checks.

The Federal Reserve banks act as check collection agencies for their mem-

## Are you getting prompt service on your Southern items?

**Our collection facilities  
are unsurpassed.**

*Collections handled promptly  
on most liberal terms.*

### HAMILTON NATIONAL BANK

Market & Seventh CHATTANOOGA, TENN.

### HAMILTON TRUST & SAVINGS BANK

Market & Main St., CHATTANOOGA, TENN.

#### BRANCHES:

East Chattanooga, Tenn.

Rossville Ga-Tenn.

**Resources over \$19,000,000.00**

ber banks. We in the United States are the greatest users of bank checks in the world. To assist member banks in the collection of checks, the Federal Reserve banks have established a country-wide system of check collection, and collect checks on over 28,000 banks. This collection system has reduced by at least one-half the average time required for collection of checks. You may gain some idea of the importance of its operations when you know that the Federal Reserve banks handle each month about fifty million checks amounting to about twelve billion dollars, with tremendous saving in time and expense.

#### 5. Act of Government Agent.

During the war, the Government appointed the Federal Reserve banks its fiscal agents, and, as you remember, they were the agencies which handled the sale and distribution of twenty-one billion dollars of Liberty bonds, and thirty-six billion dollars of short term certificates of indebtedness. The reserve banks still act for the Government in matters of this kind, and have also taken over the duties of the former sub-treasuries in supplying currency and coin, cashing government checks, and similar operations. Their usefulness to the Government along these lines has been and is very great; for without such an agency, the handling of the great financial transactions during and since the war would have been extremely difficult, if not impossible.

## The Broad Dimensions of a Great Bank

**W**EIGHING experience in terms of years and decades, Barclays Bank Limited lays more than two centuries on the scales of time. Surveying growth of facilities in banking units, this bank checks on the map of the British Isles over 1670 branches—with 161 affiliated bank offices in Scotland and many on the Continent. Measuring the sheer power of resources, Barclays recounts aggregate assets in excess of \$1,618,000,000—forming one of the largest private reservoirs of credit in the world.

BARCLAYS' services, tested by time, shaped for efficient use by thorough practice, and distributed throughout all the principal world markets, are offered to American banks. *The foreign business of American corporations and individuals is solicited only through co-operation with their own home banks.*

CORRESPONDENCE is cordially invited

December 31, 1922

Authorized Capital.....\$97,332,000

Issued and Paid up Capital... 75,882,773

Reserve Fund..... 40,149,945

Total Resources.....1,618,098,798

(Sterling converted at Par)

## BARCLAYS BANK LIMITED

Frederick C. Goodenough, Esq., *Chairman*

Sir Herbert Hambling, *Deputy Chairman* Edmund Henry Parker, Esq., *Vice-Chairman*

*Head Office:* 54, LOMBARD STREET, LONDON, E. C. 3

### AFFILIATED BANKS

BARCLAYS BANK (Overseas) LIMITED: Offices in Paris, Bordeaux, Boulogne, Havre, Lyons, Marseilles, Rouen, Cannes, Mentone, Monte-Carlo, Nice and other Continental cities, also in Algiers.

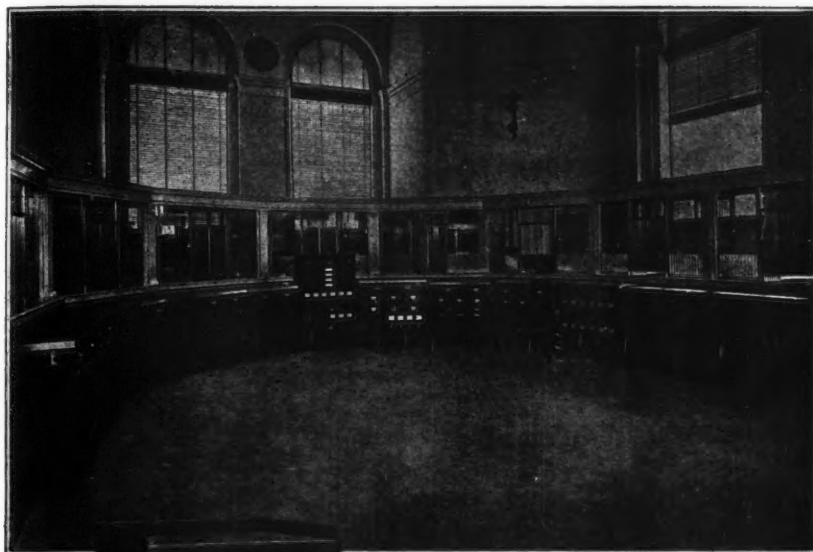
THE BRITISH LINEN BANK: 161 offices in Scotland.

THE UNION BANK OF MANCHESTER: 148 offices in Lancashire, Cheshire, and the West Riding of Yorkshire.

THE ANGLO-EGYPTIAN BANK, LIMITED: Branches in Egypt and Palestine; also at Gibraltar, Malta and Khartoum.

*Representative in America—H. Poe Alton*

60 WALL STREET, NEW YORK CITY



*The lobby of The National Bank of Tacoma, Tacoma, Washington, with its complete battery of Art Metal omnibuses wheeled out for inspection. Note the interesting variety of sections incorporated to make each omnibus most valuable to the particular department it serves.*



*An ideal bank truck of locked Wide-sections and Half-sections. This combination is indicative of the many arrangements possible from stock.*



*A teller's bus with currency and cash drawers protected by a roller curtain. Its specially designed coin compartments have a total capacity of \$2,215.00.*

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**T**HE different requirements of banks for filing devices on wheels can almost invariably be met by combining appropriate units from our wide variety of stock filing devices. We make this selection to fit your individual needs. The resulting omnibus is a permanent unit which has all the conveniences of a built-to-order truck at a stock price.

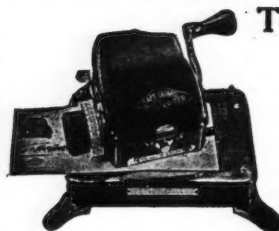
Specially built trucks are a feature of Art Metal Service. We are equipped to build special trucks most economically for use in such departments as teller, discount or exchange cages. These may be designed to embody any desired features.

Ask for catalog 763, or write us your requirements and we shall be glad to furnish fuller details or submit estimates and sketches.

# Art Metal

JAMESTOWN, NEW YORK

Steel and Bronze Equipment for Banks Steel Office Equipment, Safes and Files



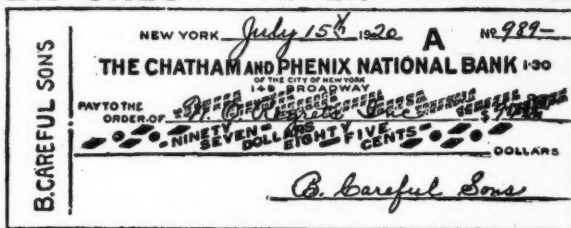
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Self-Inking Device

## THE SAFE-GUARD CHECK WRITER—100% PROTECTION

### THIS IS THE ONLY MACHINE THAT

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Essential Parts of Your  
Check—The Paying Line  
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Write for further details regarding  
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THE SAFE-GUARD CHECK WRITER CO., Inc. - 3 BEEKMAN ST.  
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your newspaper advertisements.  
It will help the Association and  
likewise help yourself.



### LITTLE GIANT BANK DIRECTOR

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A heavy semi-steel casting.  
Sold to one bank only in any  
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They bring local, as well as tour-  
ist, business if erected at principal  
crossings, junctions at prominent  
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city. They also advertise the city in which you live.  
They are furnished with any lettering desired. Can also be supplied for mer-  
chants or any other class of business.

LITTLE GIANT COMPANY

239 Rock St.

Established 1876

Mankato, Minn., U.S.A.

## The Crook Bulletin

### Warning to Bankers

THE Crook Bulletin is compiled from  
reports received from the various State  
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